It's The Oil, Stupid

By Michael T. Klare | May 2, 2003

On the second day of the invasion of Iraq, U.S. commandos seized two Iraqi offshore oil terminals in the Persian Gulf, capturing their defenders without a fight. "Swooping silently out of the Persian Gulf night," exulted James Dao of the *New York Times*, Navy SEALs claimed "a bloodless victory in the battle for Iraq's vast oil empire."

Dao's dramatic turn of phrase revealed more about the administration's plans for Iraq than almost every other report from the battlefield. While American forces turned a blind eye to the looting of Iraq's archeological treasures, they moved quickly to gain control over oilfields, refineries, and pipelines. Even before Iraqi resistance had been squelched, top U.S. officials were boasting that Iraq's oil infrastructure was safely in American hands.

Oil had nothing to do with Washington's motives for the invasion, we were told. "The only interest the United States has in the region is furthering the cause of peace and stability, not in [Iraq's] ability to generate oil," said press secretary Ari Fleischer in late 2002. But at a January briefing, an unnamed "senior Defense official" revealed that Gen. Tommy Franks and his staff "have crafted strategies that will allow us to secure and protect those fields as rapidly as possible in order to preserve those prior to destruction, as opposed to having to go in and clean them up after."

When pressed, the "senior Defense official" (presumably Deputy Secretary Paul Wolfowitz) claimed that these fields would be protected so as to benefit the Iraqi people "at some point in the future." Other officials spoke of holding the fields "in trust" for the Iraqis. Nonetheless, the White House has talked with U.S. energy companies about assuming a major role in the postconflict development of Iraq's mammoth reserves.

For now, the administration's main concern appears to be to put existing oilfields back into operation as rapidly as possible so as to help subsidize the costs of occupying and reconstructing Iraq. To insure that this process will move quickly, the Defense Department awarded a noncompetitive, multimillion-dollar contract to Halliburton, the Houston-based oil-services firm once headed by Dick Cheney, to fight fires and repair damage in the oilfields and begin the task of rehabilitation. In the coming months, other U.S. oil-services firms, including Fluor and Bechtel (both with close ties to the administration), will be invited to bid for even more lucrative contracts to rebuild Iraq's oil infrastructure. Ultimately, about $5 billion will be needed to restore Iraqi oil production to the levels achieved before the 1980-88 Iran-Iraq War and the 1991 Gulf War.

Managing this complex enterprise will be an "interim authority" made up of Iraqis selected or approved by the U.S. government, presumably including expatriates like Ahmad Chalabi of the Iraqi National Congress (INC), who enjoys close ties with the CIA and Defense. It can be safely assumed, however, that U.S. occupation officials will retain ultimate authority over the oilfields during this period. Washington will seek United Nations Security Council resolutions lifting the economic sanctions in order to allow sales of Iraqi oil. But administration officials vow to exclude the UN from decisionmaking on the disposition of Iraqi oil assets.

Once the fields are back in operation, the next item on the administration's agenda will be to determine the fate of the Iraqi National Oil Company, the state-owned firm that has managed Iraq's oil assets since their nationalization in the 1970s. Most of INOC's current managers wish to keep the company under state ownership, but some of the exile leaders being courted by the Bush team, including Chalabi, favor privatizing the firm and parceling it out in large pieces to major American and British oil companies. "American companies will have a big shot at Iraqi oil," Chalabi declared in September 2002. This approach was given further support by a meeting of expatriate Iraqi oil officials convened by the State Department in early March. The officials, members of the oil and energy panel of State's Future of Iraq Project, declared that any post-Saddam Iraqi government should "develop the right economic environment to allow investment in and utilization of its oil and gas resources."

American oil firms have admitted to meeting with representatives of the INC and other exile groups to discuss postwar access to Iraqi oil. While exploitation of Iraq's existing fields, with total reserves estimated at 112 billion barrels (second only to Saudi Arabia's holdings of 261 billion barrels) is appealing enough, what U.S. firms really want is to be able to tap into Iraq's "virgin" (undeveloped) fields in remote parts of the country.

According to the Energy Department, these undeveloped fields may hold as much as 200 billion barrels of oil, making this the largest pool of unexploited petroleum in the world. Saddam had awarded contracts to firms in Russia, China, and France to develop some of these fields, but any government installed by the United States—certainly one headed by Chalabi—would declare those contracts void. With most big fields in the United States and other mature production areas in decline, access to these reserves could prove essential to the survival and future prosperity of some of the major American energy firms. It is this fact, more than any other, that belies the administration's claim that oil had nothing to do with the decision to invade and occupy Iraq.

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Published by Foreign Policy In Focus (FPIF), a joint project of the Interhemispheric Resource Center (IRC, online at www.irc-online.org) and the Institute for Policy Studies (IPS, online at www.ips-dc.org).

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Recommended citation:

Michael T. Klare, "It's The Oil, Stupid," (Silver City, NM & Washington, DC: Foreign Policy In Focus, May 2, 2003).

Web location:

http://www.fpif.org/commentary/2003/0305oil.html

Production Information:

Writer: Michael T. Klare
Editor: John Gershman, IRC
Layout: Tonya Cannariato, IRC