

OVER THE HORIZON?

The United States and Iraq

AS AMERICAN TROOPS pull back from Iraq, what has been the balance sheet of the nearly nine-year occupation for US power and hegemony—ideological, military, economic? What, not least, has it meant for the Iraqis? On the first count, Obama has been able to add the occupation to his ‘job-done’ tick list, in election year. ‘When I took office, I pledged to end this war responsibly’, he proclaimed at a December 2011 White House press conference. Today, ‘I’m proud to welcome Prime Minister Maliki, the elected leader of a sovereign, self-reliant and democratic Iraq. We’re here . . . to begin a new chapter in the history between our countries: a normal relationship between sovereign nations, an equal partnership based on mutual interests and mutual respect. You will not stand alone’, he assured the dour-faced Maliki at his side.¹ Militarily, Obama has stuck religiously to the script he inherited from Bush’s surge-and-retrench policy of 2007–08: a temporary troop increase and concerted diplomatic offensive, in order to establish an operational monopoly of violence for a client government and to win, or buy, Sunni support for it; followed by a pull-back to US bases and eventual redeployment to Afghanistan or elsewhere.

Mainstream press accounts have been virtually unanimous in depicting a greatly diminished American superpower. It has been argued that the US is ‘leaving the country’s vast economic spoils to nations that neither supported nor participated in the US-led invasion.’² Yet the extent of the draw-down should not be exaggerated. December 2011 saw a reconfiguration of American forces in the region, not a retreat. Some 15,000 US troops are now stationed just across the Iraqi border in Kuwait, readying a ‘mobile response force’ equipped with heavy artillery, tanks and

helicopters. In addition to naval and air bases in Bahrain and Qatar, two US aircraft carriers lurk offshore.³ The US retains *de facto* control of Iraq's airspace, augmenting regional air power with drones trawling Iraqi skies and extensive satellite-surveillance systems. Responsibility for the US security apparatus safeguarding the enormous Baghdad Embassy and strategically vital 'consular installations' will now fall to the CIA and State Department; their staff currently includes over 7,500 government-contracted private-security operatives, in addition to the largely unmonitored security hirings by the oil majors.⁴

The Maliki government is purchasing F-16 fighter planes—considered by defence experts as capable only against 'aging threats from Syria or Iran', without being 'a serious threat to more advanced air forces in the region'.⁵ The F-16 contract is not simply a matter of the White House exploiting its position to ensure the sales of American defence contractors, as it has done since Eisenhower first sought to 'absorb' Saudi oil revenues through US weapons deals in 1956.⁶ It also serves to bind Iraq more tightly into the American system of dominance in the region. As Kenneth Pollack, National Security Council director for Persian Gulf Affairs in the Clinton Administration, explained to the Senate Armed Forces Committee last fall, 'one of the most important lessons of the Arab Spring and Mubarak's fall has been the tremendous utility American arms sales can have in the Middle East':

The modern military history of the Arab states makes clear that Arab allies of the United States become completely dependent on the United States and lose the capacity to project power without American support (and therefore approval). Today, Jordan, Egypt and all of the GCC

¹ White House Press Conference, 12 December 2011.

² Lina Saigol, 'Iraq's Economic Spoils Go To Nations that Shunned the War', *Financial Times*, 16 December 2011.

³ David Cloud, 'US boosts military presence in Persian Gulf', *Los Angeles Times*, 12 January 2012; Gregory Gause, *The International Relations of the Persian Gulf*, Cambridge 2009, p. 249.

⁴ Helene Cooper and Thom Shanker, 'US embraces a low-key response to turmoil in Iraq', *New York Times*, 24 December 2011; Moshe Schwartz, 'The Department of Defense's Use of Private Security Contractors in Afghanistan and Iraq', *Congressional Research Service Report R40835*, Washington 2011.

⁵ 'The New Iraqi Air Force', *Defense Industry Daily*, 13 December 2011.

⁶ Nathan Citino, *From Arab Nationalism to OPEC: Eisenhower, King Saud and the Making of US-Saudi Relations*, Bloomington, IN 2002, p. 163.

states coordinate all of their major, external military activities with the United States.⁷

Hegemonic reconfigurations

As a palimpsest for imperial modes of rule over Iraqi territory, the off-drawn comparison with Britain between 1914 and 1958 remains apt—notwithstanding the vast disparities in the two world hegemon's wealth, reach and military might. Britain launched its invasion of Mesopotamia in the opening months of the First World War, taking advantage of hostilities to seize the Shatt al-Arab waterway and secure its oil interests in Iran, principal fuel supply for the Royal Navy. In 1920, conquest was sanctioned by a 12-year League of Nations mandate, adding the patina of international legitimation to an ongoing occupation. British Indian troops, assorted tribal levies and the RAF were used to put down Iraqi resistance. In 1921 London installed a monarch, ratified his position by referendum and staged a nominal transfer of powers; British advisors continued to instruct King Faisal's ministers and the UK retained control over internal security, defence and foreign policy.⁸ In 1930, two years before the British Mandate was due to end, the Ramsay MacDonald government signed a bi-lateral treaty with Britain's hand-picked Iraqi prime minister, Nuri al-Said, granting the UK rights over Iraq's foreign policy, ports, railways, airbases and, in time of war, military dispositions. Though its troops withdrew 'over the horizon' in 1932, under the Anglo-Iraqi Treaty Britain would retain indirect control for another 26 years, until the revolution of 1958 toppled the monarchy and saw Nuri cut down in Baghdad.

For its part, the Bush White House began targeting Iraq within days of the January 2001 inaugural. In May 2003, conquest was sanctioned by United Nations mandate, in the form of UNSC Resolution 1483. The

⁷ Kenneth Pollack, 'American Policy toward Iraq after 2011', Brookings Institution, 15 November 2011, p. 15.

⁸ See Jafna Cox, 'A Splendid Training Ground: The Importance to the Royal Air Force of its Role in Iraq, 1919–1932', *Journal of Imperial and Commonwealth History*, vol. 13, no. 2, 1985; Phebe Marr, *The Modern History of Iraq*, Boulder, CO 1985; Peter Sluglett, *Britain in Iraq*, New York 2007; Nadine Méouchy and Peter Sluglett, eds, *The British and French Mandates in Comparative Perspectives*, Leiden 2004, esp. pp. 103–28.

US–UK forces set about dividing, crushing and co-opting the resistance, while simultaneously constructing a client parliamentary regime. In June 2004 Washington installed a Transitional Government under Iyad Allawi, who had worked with the CIA since the mid-90s, and staged a formal passage of powers. American advisors remained entrenched in the key ministries, and the US Ambassador—Negroponte, Khalilzad, Crocker—assumed the vice-regal role. A constitution that relied for its key articles on Paul Bremer and Peter Galbraith’s Transition Administrative Law was ratified by referendum in October 2005; protests about vote-rigging in the key province of Ninawa were dismissed, to allow Council of Representatives elections to proceed two months later. In 2008, as the end of its UN mandate neared, Washington negotiated a bi-lateral treaty with its hand-picked Iraqi prime minister, Nouri al-Maliki—Bush having vetoed Jaafari, the choice of Iraqi parliamentarians, in 2006—which sanctioned US basing rights up till December 2011. Though its forces have now withdrawn ‘over the horizon’, there is little to suggest that the US would, if driven to it, hesitate to follow the British precedent of 1941—London intervening again, nine years after its withdrawal, to overthrow a government unwelcome to it.

‘Literally nothing to do with oil’

If Churchill had thought it vital in 1913 that Britain become ‘controller at the source’ of large oil reserves to fuel the Royal Navy, and military planners regarded control over Persian and Mesopotamian petroleum as ‘a first-class British war aim’, this was always vigorously denied in public. In 1920 Churchill declared the notion that Britain had incurred the risk and expense of a military campaign in order to ‘secure some advantage in regard to some oilfields’ as ‘too absurd for acceptance’.⁹ In 1923 the Foreign Secretary, Lord Curzon, reassured the Lausanne Conference:

It is supposed and alleged that the attitude of the British government to the Wilaya of Mosul is affected by the question of oil. The question of the oil of the Wilaya of Mosul has nothing to do with my argument . . . I have explained to the Conference in order that they may know the exact amount of influence, and that is nil, which has been exercised in respect of oil.¹⁰

⁹ See Greg Muttitt, *Fuel on the Fire: Oil and Politics in Occupied Iraq*, London 2011, pp. 5–6.

¹⁰ Speech of 23 January 1923, quoted in Sluglett, *Britain in Iraq*, p. 72.

Eighty years on, Iraq's invaders were equally adamant. 'It has nothing to do with oil, literally nothing to do with oil', Rumsfeld avowed. Blair echoed Churchill: 'The oil conspiracy theory is honestly [sic] one of the most absurd.'¹¹

Nevertheless, Faisal's British-advised government had signed away extraction rights for the country's oil to a UK-led international consortium in 1925, even before London had obtained full recognition in international law of its occupation of the oil-rich Mosul district. The 75-year concessionary contract gave the assemblage of British, French and American oil majors, later called the Iraq Petroleum Company, exclusive extraction rights, in return for a small royalty per barrel to the Iraqi government. As part of its Open Door campaign Washington pushed for a larger stake in the Middle East, settling in 1928 for just under 24 per cent of the IPC consortium. (British willingness to open Iraqi oil to a palette of potential allies and subordinated rivals established a template that would later be used by the US, notably in the 1954 oil consortium imposed on post-Mossadeq Iran.) Full Iraqi control of the country's oil reserves was only established in 1972, when the pre-Saddam Baath Party nationalized the IPC, to popular acclaim, and set about building an Iraqi-run oil industry that excluded the oil majors from the extraction process.

Even before 9.11, a top-level US task force on energy strategy had argued that shrinking spare capacity in global oil was worrisome, while Saddam was becoming a 'destabilizing' threat. By 1999 the UN sanctions regime was being sapped: French, Russian and Chinese companies were signing oil deals with Iraq, while other oil firms offered kickbacks to Saddam. Neighbouring GCC states, complaining vociferously at the sufferings of the Iraqis, disapproved of unilateral US moves to bring Caspian Sea oil to global markets and to engage Iran. Earlier US energy strategy had largely relied on 'maintenance of free access' to Gulf oil, assuming that national oil companies in Saudi Arabia and the other GCC states would invest sufficiently to provide a reliable 'cushion' of spare capacity. But:

Recently things have changed. These Gulf allies are finding their domestic and foreign policy interests increasingly at odds with US strategic

¹¹ US Defense Secretary Donald Rumsfeld, *60 Minutes* interview, CBS, 15 December 2002; Blair, *Newsnight* interview, BBC2, 6 February 2003.

considerations, especially as Arab–Israeli tensions flare. They have become less inclined to lower prices in exchange for security of markets, and evidence suggests that investment is not being made in a timely enough manner to increase production capacity in line with growing global needs. A trend towards anti-Americanism could affect regional leaders' ability to cooperate with the United States in the energy area.¹²

The report went on to note that 'several key producing countries in these important areas remain closed to investment'—'a reopening of these areas to foreign investment could make a critical difference in providing surplus supplies to markets in the coming decades'.¹³ For the architects of US policy after 9.11, 'regime change' in Iraq could open the spigots, enable capacity-building investment by the oil majors while also reinforcing American primacy over the region, providing a safer environment for Israel and even—in its headiest versions—offering Arabs a model free-market democracy.¹⁴

After 2003 the Americans pushed hard to secure Iraq's oil for development by the oil majors while the country was under full military occupation. Iraq's many oilfields are divided under the 2005 Constitution into 'present' fields, under some form of current development, and undeveloped or 'green' fields, which may yield rich pickings. The Constitution—steered through successive drafts by American advisors—specified that the 'present' fields would be managed by the Iraqi central government, in murky conjunction with the relevant regional or governorate authorities; however neither the undeveloped fields, nor even the expansion of 'present' fields, were

¹² Edward Morse and Amy Jaffe, *Strategic Energy Policy Challenges for the 21st Century*, New York 2001, p. 13.

¹³ Morse and Jaffe, *Strategic Energy Policy*, p. 23.

¹⁴ Robert Mabro, 'Is the Widely Expected War on Iraq an Oil War?', *Oxford Energy Comment*, February 2003; Robert Gilpin, 'War is Too Important to be Left to Ideological Amateurs', *International Relations*, March 2005; Jane Cramer and Edward Duggan, 'In Pursuit of Primacy', in Cramer and Trevor Thrall, eds, *Why Did the United States Invade Iraq?*, New York 2011. See also Michael Klare, *Blood and Oil: the Dangers and Consequences of America's Growing Dependency on Imported Petroleum*, New York 2004; and Rachel Bronson, *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia*, New York 2006.

FIGURE I: *Iraq, showing known oilfields*

explicitly addressed. The specific division of powers between national and regional authorities—a central function of any constitution—was left undefined, thus inviting the struggle vigorously on display at present. A further article pledged both federal and regional governments to ‘formulate the necessary strategic policies’ to develop Iraq’s oil and gas wealth, ‘using the most advanced techniques of the market principles and encouraging investment’. Numerous international advisors were on hand to elucidate what these were.

Welcome back

In 2006 newly appointed Oil Minister Hussein al-Shahristani, a son-in-law of Grand Ayatollah Sistani, announced to the international press: ‘The first thing we are going to work on is an investment law to reassure the big oil companies’ and to ‘allow multinational oil companies back into Iraq’. This was flatly against the advice of senior Iraqi oil technicians, who argued that the country’s oil was so plentiful, extraction costs so low and capital loans so freely available, that Iraq had no need to bring foreign oil companies in.¹⁵ In February 2007 Maliki’s Cabinet duly voted through an Oil Investment Law. Multinationals would be offered long-term production-sharing agreements, whereby the Iraqi government both compensates the firm for its investment and allocates it a share of the profits, and the respective roles of central and regional governments would be defined. Parliamentary ratification of the law by the fractious Council of Representatives proved unobtainable: the Kurdish deputies objected to annexes they thought diluted regional controls, and the Sadrists could not bring themselves to vote for a foreign take-over of the country’s major resource. But for the oil majors this was still the best of all possible worlds: the law provided an MNC-friendly model, yet its ambiguous, unratified status might allow them to insert lucrative compensation clauses into future contracts in the event of more restrictive legislation by an Iraqi government, or to insist that jurisdiction for any contractual disputes would lie in New York or London.

From summer 2009, after the US ‘surge’ had shored up the Maliki government, Shahristani began signing contracts with the multinationals for Iraqi oil. The largest oil and natural-gas fields went principally to Anglo-American companies—Exxon-Mobil, BP, Royal Dutch Shell—with Exxon-Mobil taking the lion’s share. The fine print has for the most part been kept secret, but analysis of BP’s contract for the super-giant Rumaila field suggests a lucrative deal, with profits as high as 20 per cent. The Iraqi government would reimburse the company’s investment costs and pay it \$2 per barrel, in kind, for oil exported; in addition it would put Iraqi security forces at BP’s disposal, and pay for private security companies hired by BP; investment procurement deals would have minimal

¹⁵ Muttitt, *Fuel on the Fire*, pp. 202–7.

Iraqi oversight; Baghdad would pay compensation for any infrastructure constraints or OPEC-imposed restrictions in production quotas.¹⁶

In Iraq's newly opened oil and gas sectors, Exxon-Mobil has won a commanding position. It got the largest share of the contract for West Qurna 1, another super-giant producing field, which could account for the greatest single increment of planned output increase. Estimates—perhaps over-optimistic—put West Qurna's output for 2017 at over 2.8mbd, on a par with predictions for Rumaila. Since acquiring the contract, Exxon has raised production from 258,000bd to 350,000bd, while investing a mere \$400 million.¹⁷ Exxon has also been designated the contract for developing a massive water-injection system for the oil and natural-gas reservoirs of the leading fields in southern Iraq, where nearly 80 per cent of output is located. This estimated \$20 billion infrastructure project gives the company effective leverage over Iraq's oilfield management and future output, as well as strategic control over development of the natural gas associated with the reservoirs' operations. Without Exxon's investment and approval, the water and gas re-injection needed to increase output cannot proceed. James Adams, Exxon's Vice President for Iraq, noted that existing facilities would be incapable of handling the field's potential output of 2.8 mbd: 'We won't add 2 million barrels of facilities all at once. That will be broken up into phases so we can achieve the target without investing too much any sooner than necessary.'¹⁸

In October 2011 Exxon also became the first oil major to sign deals with the Kurdistan Regional Government (KRG), winning six oil blocks in the Kurdish region despite vocal opposition from Baghdad—particularly from Shahrastani, now Deputy Prime Minister, who went so far as to menace Exxon's contracts in the southern fields. Maliki then intervened,

¹⁶ See Muttitt, *Fuel on the Fire*, pp. 324–31; Peg Mackey and Nelli Sharushkina, 'Iraq: the Limits of History', *Energy Compass*, 13 November 2009; Paul Merolli and Peg Mackey, 'Iraq: Washington's Dilemma', *Energy Compass*, 20 November 2009; 'Baghdad Awards 4.8mbd Second Tranche Of Upstream Oil Projects', *Middle East Economic Survey*, Vol.51/52, 21/28 December 2009, p.3; Terry Macalister, 'BP "Has Gained Stranglehold Over Iraq" After Oilfield Deal is Rewritten', *Observer*, 31 July 2011.

¹⁷ 'Iraq Oil Expansion Reaches a Crossroads', *Petroleum Intelligence Weekly*, 5 September 2011.

¹⁸ See 'Q&A: Exxon's Iraq chief James Adams', *Iraq Oil Report*, 24 May 2011.

undermining his deputy, stating that the southern contracts would be honoured, despite the KRG awards. Whether Exxon would object to the contracts being re-negotiated is an open question; the oil major might yet again re-write them to its advantage, while perhaps also playing the role of a helpful catalyst in KRG–Baghdad relations, to better or worse effect. As an oil-market commentator noted of the KRG awards: ‘Whatever the case, Exxon felt sufficiently insulated—and with some justification. The US oil major has become so enmeshed with Iraq that the government cannot punish Exxon without harming itself.’¹⁹

The relationship between Exxon’s deals with the KRG and US strategy for the region remains opaque. Officially, Washington is committed to a united Iraq with a strong federal state. In practice, it has actively fostered the development of a micro-state in the north, equipped with its own security forces and armed with a constitutional veto over national developments. Leading US officials in Iraq, including former Ambassador Zalmay Khalilzad and Jay Garner, first head of the Coalition Provisional Authority, have taken lucrative positions in the KRG oil sector on their retirement. It is possible that the Obama Administration is taking a page from the 1920s playbook, when strategic policy was sometimes outsourced to oil majors while the State Department renounced any direct involvement. It is also possible that both Exxon and the White House are seeking to hasten a Baghdad–KRG settlement and passage of the oil law, by showing how easily the Iraq central government can be underbid. In any case, Exxon has emerged as the pivotal actor, with a crucial hold over Iraq’s future oil output and the means to play Baghdad and Arbil off against each other.

For their part, BP and Royal Dutch Shell have done well, but they are not in the same league as Exxon. At Rumaila, BP holds a marginally larger stake than China’s CNPC; elsewhere, Russian, French and other oil firms have been incorporated into deals in subordinate positions, lacking control of the oilfields’ infrastructural development and with their stakes diluted among many parties. Rumaila’s planned increase from its current 1.3mbd must be shared nearly equally between BP and CNPC, unlike the position at West Qurna where Exxon will receive 80 per cent of the gain and Shell only 20 per cent. Nevertheless, Shell’s

¹⁹ Ben Van Heuvelen, ‘Analysis: What Was Exxon Thinking?’, *Iraq Oil Report*, 5 December 2011.

\$17bn deal to develop the associated natural gas of three large oilfields around Basra suggests the recrudescence of the Anglo-American-Dutch majors that dominated Iraq from the 1920s through to the 1970s. While Iraq's electricity generation needs are still so stark, Shell appears to have won the right to export most of the gas it captures, paying only a 1 per cent export tax upon these yet-to-be determined quantities; at the same time, the gas that is to be used for domestic purposes, such as electricity generation, may be priced at international rates rather than treated as recovered costs, as is standard in the region.²⁰

Meanwhile, Iraq's oil revenues are still being processed through an account at the Federal Reserve Bank of New York, despite the expiry of the UNSC mandate for this in July 2011, and are only released back to Baghdad after the New York Fed has accounted for them. Provided they remain within the jurisdiction of the US banking system, Iraq's dollars have presidential immunity from any lawsuits under Executive Order 13303. Obama has extended this order yet again through May 2012, so that US banks can continue to intermediate Iraqi oil earnings.

A broken state

The costs to Iraqis themselves of the US occupation hardly need repetition here: well over 100,000 dead, on the most conservative estimates, and at least 4 million driven from their homes. Provision of basic utilities—electricity, garbage collection—and social services is still worse than under Saddam, with many Iraqis blaming the continuing deterioration on staggering new levels of corruption. Sectarian divisions have been systematically entrenched from the top down, beginning with the Coalition Provisional Authority's selection process for the Interim Governing Council and its 'de-Baathification' drives. Confessional sectarian quotas, with concomitant vetoes, have been imposed at every level of the Council of Representatives. City districts have been purged and partitioned. The 'three-province veto', enshrined in 2004 for any subsequent constitutional referenda by the Kurds' advisor, Peter Galbraith, ensures the polity will remain fractured, without either full Kurdish secession or a coherent federal settlement. Under Maliki, a new regime of corruption and coercion has been entrenched,

²⁰ Ben Lando and Ben Van Heuvelen, 'The Secret History of the Shell Gas Deal', *Iraq Oil Report*, 23 September 2011; Daniel Smith and Ben Lando, 'Shell Gets its Gas Deal', *Iraq Oil Report*, 27 November 2011.

with billions of dollars embezzled from state coffers. In February 2011, Ministry of Interior thugs beat up democracy protestors in Baghdad's Tahrir Square; one of the movement's leading figures, the journalist Hadi al-Mahdi, was shot dead in his flat.²¹ Maliki himself has proved an apt student: launching successive de-Baathification campaigns, parading prisoners in orange uniforms on TV. As Charles Tripp, the British historian of Iraq, has noted:

Under the watchful and often encouraging eye of the US, Nuri al-Maliki has been busy ensuring that a strong centralized state should re-emerge to impose the kind of order that has now become characteristic of Iraq's political life . . . Wary of the organs of state controlled by his allies, let alone by his rivals, he has taken steps to ensure his personal control of anything connected particularly to security and to the coercive arm of the state.²²

Iraq lies along the major faultline of Middle Eastern security, a crucial geostrategic arena for the world's most powerful firms and states. As long as the world turns on oil, the US will never leave the region. As noted above, the current military re-positioning is not a retreat; it is a reconfiguration. Although there is no shortage of ominous warning signs for American power in the Middle East, the military draw-down from Iraq cannot be read as a significant weakening of US hegemony. Anglo-American firms—excluded from the country for decades—now control the lion's share of Iraq's oil and natural-gas sectors. The US retains significant over-the-horizon capabilities on Iraq's borders, through its archipelago of bases across the Gulf Cooperation Council states. It has played a decisive role in shaping the Iraqi political system and still exercises considerable sway over its defence and security services. Iraq is sovereign in name only. Through its informal hegemony—combining drones, arms sales and training, *condottieri* and self-interested oil-patch officials—the US will remain a powerful player in Iraq for years to come.

²¹ 'Failing Oversight: Iraq's Unchecked Government', ICG Middle East Report, 26 September 2011.

²² Tripp, 'Iraq after the US Withdrawal', *Middle East in London*, December 2011.