

## No Oil for Blood

Thanks to three American senators, China will be pumping Iraqi oil.

by Frederick W. Kagan

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This morning, I had the honor of testifying before the House Budget Committee on the situation in Iraq. The discussion was polite and civilized, and was a reminder that even now it is possible for people who disagree about what to do in Iraq to argue without raised voices and disagreeable language (apart from the Code Pink women, yelling for those who think that shouting opponents down is preferable to arguing with them). Congressman Brian Baird once again demonstrated that it is possible even for those who bitterly opposed the war to recognize the importance of doing the right thing now--as well as the possibility of crossing the Republican-Democrat sectarian divide on this issue. One question came up repeatedly in the hearing that deserves more of an answer than it got, however: Why, after all the assistance we've given to Iraq over the past five years, was the first major Iraqi oil deal signed with China and not with an American or even a western company? The answer is, in part, because three Democratic senators intervened in Iraqi domestic politics earlier this year to prevent Iraq from signing short-term agreements with Exxon Mobil, Shell, Total, Chevron, and BP.

The Iraqi government was poised to sign no-bid contracts with those firms this summer to help make immediate and needed improvements in Iraq's oil infrastructure. The result would have been significant foreign investment in Iraq, an expansion of Iraqi government revenues, and an increase in the global supply of oil. One would have thought that leading Democratic senators who claim to be interested in finding other sources of funding to replace American dollars in Iraq, in helping Iraq spend its own money on its own people, and in lowering the price of gasoline for American citizens, would have been all for it. Instead, Senators Chuck Schumer, John Kerry, and Claire McCaskill wrote a letter to Secretary of State Rice asking her "to persuade the GOI [Government of Iraq] to refrain from signing contracts with multinational oil companies until a hydrocarbon law is in effect in Iraq." The Bush administration wisely refused to do so, but the resulting media hooraw in Iraq led to the cancellation of the contracts, and helps to explain why Iraq is doing oil deals instead with China.

Senators Schumer, McCaskill, and Kerry claimed to be acting from the purest of motives: "It is our fear that this action by the Iraqi government could further deepen political tensions in Iraq and put our service members in even great danger." For that reason, presumably, Schumer went so far as to ask the senior vice president of Exxon "if his company would agree to wait until the GOI produced a fair, equitable, and transparent hydrocarbon revenue sharing law before it signed any long-term agreement with the GOI." Exxon naturally refused, but Schumer managed to get the deal killed anyway. But the ostensible premise of the senators' objections was false--Iraq may not have a hydrocarbons law, but the central government has been sharing oil revenues equitably and there is no reason at all to imagine that signing the deals would have generated increased violence (and this was certainly not the view of American civilian and military officials on the ground in Iraq at the time). It is certain that killing the deals has delayed the maturation of Iraq's oil industry without producing the desired hydrocarbons legislation.

Nor is it entirely clear what the senators' motivations were. Their release ([available](#) along with their letter to Secretary Rice at the *New York Observer* quoted Senator McCaskill as follows: "It's bad enough that we have no-bid contracts being awarded for work in Iraq. It's bad enough that the big oil companies continue to

receive government handouts while they post record breaking profits. But now the most profitable companies in the universe--America's biggest oil companies--stand to reap the rewards of this no-bid contract on top of it all,' McCaskill said. 'It doesn't take a rocket scientist to connect these dots--big oil is running Washington and now they're running Baghdad. There is no reason under the sun not to halt these agreements until we get revenue sharing in place,' McCaskill said." So was this about what's best for Iraq and American interests there or about nailing "big oil" in an election year?

Either way, like Barack Obama's asking the Iraqi foreign minister to hold off on a strategic framework agreement until after the American election, it was nothing but harmful to American interests and our prospects in Iraq.

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