

What is the ‘Oil for Reconstruction’ Framework of Cooperation?

On May 11, 2018, the Iraqi Finance Ministry and the China Export and Credit Insurance Corporation (SinoSure) signed the “Export Credit Insurance Cooperation Framework.” The main points of this framework are:

1. An Iraqi-Chinese Reconstruction Fund is to be established, supervised by the Iraqi government and an International consulting company that will be selected by the [Iraqi] Central Bank to monitor the implementation of the agreement. The fund is placed in a Chinese bank account. The base capital of (\$10 billion) is partially generated by placing of the revenues of 100,000 barrels per day of Iraqi oil purchased by two Chinese oil companies (Zhenhua Oil and China National Offshore Oil Corporation (CNOOC)) in the account. Iraq sells about 850,000 b/d to China. Iraq sells 3,800,000 b/d to international buyers. So, the 100,000 b/d for the reconstruction fund makes up only a small portion of total Iraqi oil sales.

2. Duration of the agreement: 20 years.

3. The Chinese party guaranteeing the agreement is the China Export and Credit Insurance Corporation (SinoSure).

4. Chinese banks will issue credit to the Iraqi Reconstruction Fund with a credit ceiling of \$10 billion, with the interest rates subsidized by the Chinese side. The credits for these investments then come jointly from Chinese banks and from the Fund itself, in a ratio of roughly 6:1. This means, when the accumulated revenues of the oil sales reach 1.5 billion, the Chinese banks would add 8.5 billion. So, each construction project will be financed 15% by Iraqi oil, and 85% by Chinese loans.

5. Following that, the sums will be transferred to another new account called an “investment account.” Another account, a “repay account,” is created for debt servicing over the 20-year period.

6. If the two parties wish to expand the fund after the

first package of projects are completed, they can increase the share of Iraq’s oil sales in the fund and thus increase the capital of the Fund.

7. When the capital of the Fund (from Iraqi oil and Chinese banks) reaches the \$10 billion level, the Iraqi government will provide a list of priority infrastructure projects to the Chinese side. The Chinese side will then provide three different Chinese companies for each project to start a bidding process. The international consultant (hired by the Iraqi government) examines these three companies and chooses one to build the proposed project.

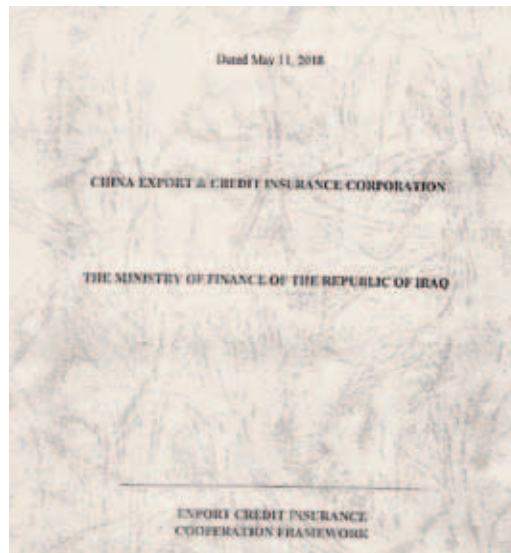
10. The Fund will cover the financing of the following types of projects:

Building schools and hospitals, airports, ports, railways, paving highways, power plants and electric distribution lines, residential clusters and new cities, dealing with pollution and rehabilitating the Tigris and Euphrates rivers, water supply and sewage systems. Other projects in the industrial and agricultural sectors can be presented by the Iraqi government in accordance with its priorities.

Hamiltonian Credit

According to Paul Gallagher, Economics Editor of *EIR*, the agreement between Iraq and China shows an understanding and application—perhaps at the Chinese initiative—of Alexander Hamilton’s principles of national banking and credit, as set out in his 1790 *Report on the Public Credit*, commissioned by the first U.S. Congress.

In addition, the overarching development idea at work is the “oil for technology” concept [developed](#) by Lyndon LaRouche in his “Oasis Plan” of July 12, 1990 for Mideast development. The credit, in the form of loans against Iraq’s oil revenues from sales to China, comes from Chinese banks, forming most of the operating capital of a Reconstruction Fund. (In the case of Hamilton’s Bank of the United States, that bank’s major equity “partners” were Dutch bankers.) The credit issued to the Fund by China’s banks is a multiple of the oil revenue, whereby roughly \$2 billion per year in oil revenues is the basis for \$20 billion (or later, \$3 billion per year the basis for \$30 billion), in what appear to be 20-year project loans. (It is a 20-year MoU.) The oil revenues essentially guarantee the interest for a



number of years.

As Hamilton wrote regarding the First (National) Bank of the United States, such a “national debt” of the Reconstruction Fund is a “national blessing” for Iraq, because the “means of its extinguishment” are provided—short-term interest and minor principal repayment, by the repayment account; long-term principal repayment, by the increased productivity and wealth of Iraq’s econ-

omy and people, resulting from this reconstruction.

The investment account, like the operating capital of a Hamiltonian national bank, is itself also investing in the critical projects. And, its dedicated oil revenues are capable of backing more than China’s \$20 billion or \$30 billion development loan—the Reconstruction Fund could, if desired, issue additional debt to Iraqis and Iraqi institutions as Hamiltonian national banks do.

U.S. Attacks Iraqi Forces on Syria-Iraq Border

Question to Hussein Askary: What are the implications for the pro-development movement you are working with in Iraq, of the unexplained bombing in Syria by U.S. warplanes on February 25?

The real danger is that none of the parties can ensure that this does not get out of control, leading to a larger war in Iraq and the region. The other danger, which is my concern, is that this military escalation will change the subject of discourse in Iraq from the economic realities—cooperation with China and the reconstruction of the country’s economic infrastructure—into a discussion of the security situation which has nothing to do with Iraqi realities.

Iraq after the post-2003 U.S.-British invasion is a very fragile state. What U.K. Prime Minister Tony Blair and U.S. Vice President Dick Cheney created in Iraq was an abomination, a sectarian and ethnic patchwork kept together with chewing gum, or rather raw oil. The invaders abolished the Iraqi state in principle, not just President Saddam Hussein’s state. The army, police, security forces and intelligence forces that took a century to build suddenly vanished.

Another development helped destroy the state: Changing the political structure from a presidential into a parliamentary system based on horse trading between ethnic and sectarian forces. Oil money became the fuel upon which this Frankenstein state was kept alive, as the different ethnic and sectarian groups created political parties that divided the ministry budgets amongst themselves, devouring the meat and throwing the bones to the Iraqi people.

Biden and Iran ‘Trade Signals’

The irony is that the Shia groups, who were made the majority, were clients of Iran. Most Shia politicians and groups persecuted by Saddam in the 1980s fled to Iran and created both political and military organizations,

like the Badr Brigade who fought alongside the Iranian army in the 1980-88 Iran-Iraq war. So naturally the vacuum created by the U.S.-British occupation’s demolition of the Iraqi state and its institutions, was filled by Iranian-backed groups. This seemingly weird symbiosis between America-Britain and Iran continues to this day. Many Iraqis, despairing of a rational explanation of the events taking place in their country, say that Iran and the U.S. are working together in Iraq. They attack each other but they both keep their shares of control over Iraqi political, security and economic matters. They settle scores and trigger new crises, not by attacking each other’s territories, but by attacking each other in Iraq.

Starting with the infamous 2006 Cheney visit to Saudi Arabia to invent the Sunni alliance against the “Shia Triangle” (Iran, Syria and Hezbollah in Lebanon), extremist and terrorist groups of both sects emerged. The Sunni groups were backed by Saudi Arabia, Qatar, and other Gulf states, Turkey and Jordan (Syria initially backed the so-called Sunni resistance to the American occupation, and Israel later backed the “Sunni” Al-Qaeda branch in Syria, Al-Nusra Front, against Syrian President Bashar Al-Assad). Iran naturally backed the Shia factions, also forming a resistance movement against the occupation.

Kataib Hezbollah and Kataib Sayyid al-Shuhada, attacked inside Syrian territory by U.S. forces February 25 in Biden’s retaliation for attacks on U.S. bases in Iraq, are among such Shia groups. However, keep in mind that these groups and others, like the Popular Mobilization (Al-Hashd Al-Shaabi)—whose leader was assassinated with Iranian military leader Qasem Soleimani—were fighting side by side with U.S. and Russian forces against ISIS and Al-Qaeda in Syria and Iraq. Second: There is no evidence that these two groups were involved in February 15 attacks on U.S. bases in Erbil, Iraq. The whole matter looks like a trade of signals between the Biden Administration and Iran.