Cheney's Carpetbaggers: Looking for The Loot at the End of the Tunnel

by Edward Spannaus

Going into the Iraq War, Vice President Dick Cheney and his cronies were not only telling Congress and the American people that the invading U.S. troops would be welcomed in the streets as "liberators" by the Iraqi people, but that those streets would be paved with gold. Cheney and Co.'s public line was that the war would pay for itself and that reconstruction would be self-financing. Privately, they were cooking up fanciful schemes to loot Iraq's oil resources as soon as the war was over, as a by-product of their imperial dreams of dominating and remaking the the Gulf region and the Middle East.

In a Feb. 27 appearance before the House Budget Committee, Deputy Secretary of Defense Paul Wolfowitz—one of Cheney's architects of the imperial war doctrine in 1991-92, when Cheney was Secretary of Defense—was questioned about the costs of the coming Iraq War and its aftermath. Wolfowitz blithely dismissed various projections for both costs and troop requirements as "quite outlandish." Gloating over Iraq's "$15 billion to $20 billion a year in oil exports, which might finally be turned to a good use," plus billions more in frozen assets, Wolfowitz declared, "There's a lot of money there." And referring to the costs of the occupation and reconstruction, he protested that "to assume that we're going to pay for it is just wrong."

Dick Cheney, in his now-notorious March 16 appearance on NBC's "Meet the Press," stated repeatedly that U.S. troops "will be greeted as liberators" by the Iraqi people. When host Tim Russert asked him about estimates that the war and recovery might cost $100 billion over two years, Cheney answered, "I can't say that, Tim." Cheney pointed out that Iraq has got "the second-largest oil reserves in the world," and that "It will generate billions of dollars a year in cash flow, if they get back to their production of roughly 3 million barrels of oil a day, in the relatively near future."

At the outset, we warn that it is a fraudulent oversimplification, by those too cowardly to face the full, horrific implications of Cheney's drive for fascist world domination, to claim that oil was the primary motivation for the Iraq War. Nonetheless, Cheney and his cronies did and do expect, as a side benefit, to personally profit from this and coming imperial wars. Let's look at his scheme, step by step.

Cheney's Energy Task Force

Ten days after taking the oath of office, President George W. Bush created a task force, headed by Vice President Dick Cheney, to develop a national energy policy. Less than four months later, the task force's report was issued.

Its final chapter deals with global energy supplies. Noting that the United States currently imports 53% of its net oil requirements, the report declares that continued access to international energy supplies is a vital matter of national security. Strategically, the report divides the sources of oil into two categories: the Middle East—with 67% of proven world oil reserves—and the rest of the world. The report asserts that the Persian Gulf region "will remain vital to U.S. interests," and it will be "a primary focus of U.S. international energy policy."

The report's recommendation is for Saudi Arabia, Kuwait, Algeria, Qatar, the United Arab Emirates, and other suppliers "to open up areas of their energy sectors to foreign investment." Iraq is not mentioned by name, even though Iraq has the second-largest reserves, next to Saudi Arabia—and potentially, with full exploration, even the largest. Moreover, because of special geological conditions, Iraq oil can be extracted considerably more cheaply than in most areas of the world.

Was this somehow just overlooked by Cheney and the Task Force? Or did they have other ways in mind to "open up" Iraq for foreign investment?

The Secret Iraq Map

In mid-July 2003, the watchdog group Judicial Watch announced that, as a result of a court order, it had just obtained a set of documents concerning the Energy Task Force, which included a map of Iraqi oil fields, pipelines, refineries and terminals, as well as two charts detailing Iraqi oil and gas projects, and a list of "Foreign Suitors for Iraqi Oil Field Contracts"—pertaining, of course, to contracts with the Saddam Hussein regime.

The maps and charts were dated March 2001—at the peak of activity of the Cheney task force; it was created at the end of January, and issued its report in mid-May 2001. The only other countries for which such maps were provided were Saudi Arabia and the U.A.E., both of which were openly discussed in the Task Force report.

It took Judicial Watch more than two years, and a court order, to obtain these documents, and it's not hard to imagine why. The implications are rather staggering, when the documents are examined in the context of the Task Force report final chapter, which places overwhelming importance on opening up the Gulf region for foreign investment. The deliberate omission of Iraq is itself almost an admission of guilt, for we know that Cheney and Co. had their eye on Iraq since the 1991 Gulf War, which they considered a failure for not going on to Baghdad to remove Saddam Hussein from power.

The 1991 draft Defense Policy Guidance, prepared by Paul Wolfowitz, Lewis Libby and Eric Edelman (all key players in the current Administration) for then-Secretary of Defense Cheney, called for the United States to prevent the emergence of any rival superpower globally, and to prevent domination of any strategically critical region by any hostile power. Among seven classified scenarios for war, was one involving Iraq.

Halliburton's Contract

Even before the second war against Iraq was officially launched in March 2003, Dick Cheney's Halliburton Co., through its subsidiary Kellogg Brown & Root (KBR), had received a no-bid contract to extinguish oil fires in Iraq and to rebuild Iraq oil facilities. The contract is reportedly worth up to $7 billion. Over time, as details of the secret contract leaked out, it was learned that the contract also contained provisions for KBR to operate the Iraqi oil fields and organize distribution of Iraqi oil.

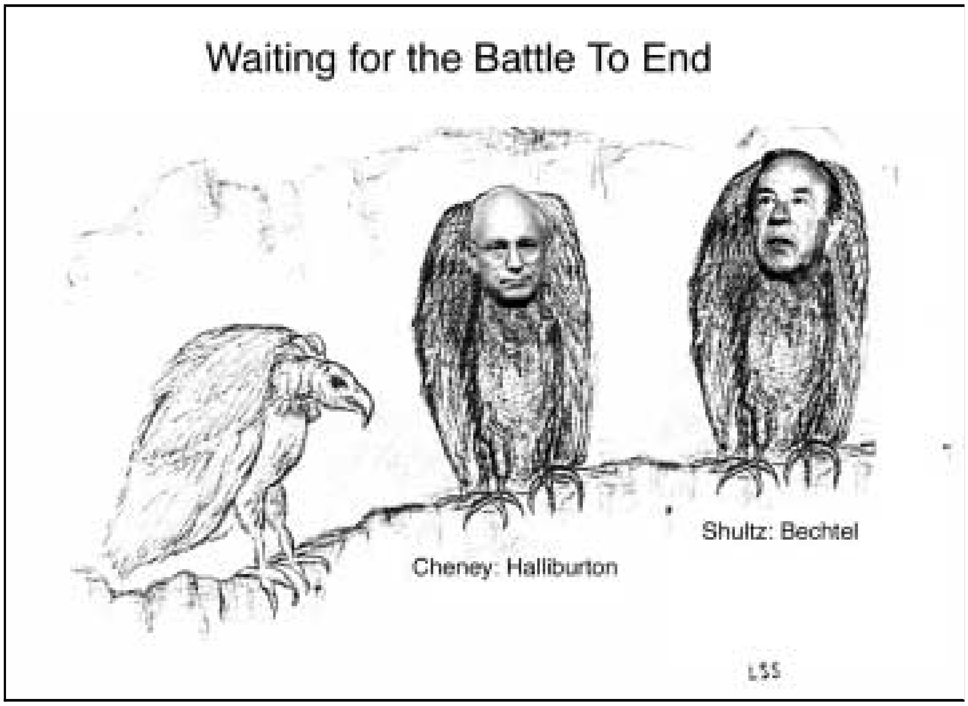
While all sorts of grandiose plans to quickly restart Iraq oil exports were flying around, the big problem, as more sober observers noted, was that it might prove impossible to find anyone to *buy* Iraqi oil, because of the problem of legal title. Who owns it? The United States certainly doesn't, and there was no recognized Iraqi government. The lack of clear title was making it impossible for oil purchasers or shippers to even get insurance for their deals.

Because of this legal cloud preventing the United States from selling the oil, and with protests from other countries against the U.S. plans to simply grab the Iraqi oil, the United States was compelled to put the Iraqi oil revenues under some fig-leaf of United Nations control. This was done through a plan to create a new "Development Fund for Iraq," which was established under UN Security Council Resolution 1483, adopted on May 22. The funds accumulated under the UN Oil-for-Food program were to be deposited in the Fund, along with all future proceeds from oil and gas sales.

The Fund is controlled by Paul Bremer, the Administrator of the Coalition Provisional Authority (CPA). According to CPA Regulation No. 2, issued by Bremer on June 15, the Fund is managed "in coordination with" the Federal Reserve Bank of New York, where all receipts of Iraqi oil and gas sales are to be deposited and held. Provision is also made for coordination with the Bank for International Settlements (BIS), if accounts are opened there.

Mortgaging Iraq's Oil

Already in the works by this time, was a plan developed by Halliburton, Bechtel and others, to mortgage future Iraqi oil revenues to pay for their reconstruction contracts. The plan, contained in a U.S. Export-Import Bank memorandum dated May 28, is that the Ex-Im Bank or another facility would issue bonds secured by future oil revenues, and use the proceeds of the bonds to pay for reconstruction contracts, i.e. to pay Halliburton and Bechtel. The June 19 *Wall Street Journal*



reported that the plan "has the enthusiastic endorsement" of Halliburton and Bechtel, who are also operating through the "Coalition for Employment Through Exports." This was also confirmed to *EIR* by sources at the Ex-Im Bank.

(After Cheney became the CEO of Halliburton in 1995, he sharply increased its political contributions and lobbying activities. Under Cheney, Halliburton received $1.5 billion of guarantees or direct loans from the Ex-Im Bank and related agencies, including projects in Russia and the Caspian Sea region.)

The oil-revenue grab was outlined in the Ex-In Bank's May 28 memorandum "Financing the Reconstruction of Iraq." Under the caption "Securitizing Future Oil Revenues," it noted that, under UN Resolution 1483, some 95% of Iraqi oil and gas revenues are to be deposited into the Development Fund for Iraq, and that there will be many competing demands on these revenues. If investments are made to upgrade Iraqi oil industry facilities, estimated oil revenues could reach $10-15 billion a year, so the question is, how to seize these funds—in advance—for the contractors who will do the reconstruction? The mechanism proposed, is "securitization," issuing bonds against the anticipated future revenues. According to one account, this would be managed through an "Iraq Reconstruction Finance Authority."

Yet, there were still a few flies in the ointment, namely legal ones. There was the question of the existing contracts between Iraq and foreign oil companies, largely European and including Russia. Then there was the even bigger question, of who has the authority to void the old contracts, and enter into new contracts? Traditionally, only a recognized, sovereign government can do so.

As Rep. Henry Waxman (D-Calif.) put it in a July 11 interview with the *Los Angeles Times*, on the oil-mortgage scheme: "Unless a reconstituted Iraqi government or the UN Security Council authorizes the plan, it appears to violate international law."

This is why the Bush-Cheney administration was so eager to obtain some kind of UN endorsement of the CPA. But what the UN did, was to recognize the United States and Britain as "occupying powers"—which imposes strict legal responsibility and liability. Under the international law of occupation, the occupying powers are responsible for the health, welfare, and safety of the population of the occupied country, and are subject to civil and even criminal liability.

Something else was, therefore, needed, to protect Cheney's cronies and their plans to loot Iraq's oil.

Immunizing the Oil Grab

What they came up with, was a sweeping scheme to fence off the revenues from any legal action or seizure. This was done in two steps:

1) UN Resolution 1483, drafted by the United States, provided immunity from legal process for the revenues from oil sales deposited in the Development Fund. Specifically this protects the funds from claims by creditors or those with claims against the previous Iraq regime.

2) On May 22, the same day that Resolution 1483 was adopted by the UN Security Council, President Bush signed Executive Order 13303, which gives U.S. oil companies and contractors blanket immunity from any liability or claims arising from anything to do with Iraqi oil. The EO was published in the *Federal Register* on May 28, and went unnoticed for weeks.

The EO is entitled "Protecting the Development Fund for Iraq and Certain Other Property in Which Iraq Has an Interest." In it, President Bush declares that "the threat of attachment or other judicial process" against the "Development Fund for Iraq, Iraqi petroleum and petroleum products, and interest therein, and proceeds, obligations, and any financial instruments of any nature whatsoever" related to the sale or marketing of such petroleum or petroleum products, "constitutes an unusual and extraordinary threat to the national security and foreign policy of the United States," such that Bush even felt bound to declare "a national emergency" to deal with this threat!

Many observers were simply bowled over by the sweeping nature of this declaration. Oil companies, etc. are given immunity for anything relating to Iraqi oil and the revenues derived therefrom.

Said a spokesman for another watchdog group, the Goverment Accountability Project (GAP): "In terms of legal liability, the Executive Order cancels the concept of corporate accountability and abandons the rule of law." GAP accurately describes it as "a license for corporations to loot Iraq and its citizens."

Meanwhile, on June 24, Representative Waxman had sent a letter to the U.S. Army Corps of Engineers—which oversees private contractors—asking for information about "U.S. plans to mortgage Iraq's oil to pay for contracts with private companies like Halliburton and Bechtel."

Waxman wrote, "For many months, opponents of the war in Iraq have been arguing that the real purpose of the war was to obtain control for the United States over the vast oil fields of Iraq. In response, the Administration has consistently said that Iraqi oil belongs to the Iraqi people."

What Waxman has pointed out elsewhere, is that Vice President Dick Cheney headed Halliburton for five years, in between the Bush 41 and Bush 43 Adminstrations, and that he continues to draw up to $1 million a year from Halliburton. As to Bechtel, it is guided by its leading board member, former Secretary of State George Shultz, who put together the team of neo-con "Vulcans" who dominate the current Bush Administration, and who is now a leading advisor for Arnold Schwarzenegger's California "geek show" recall/gubernatorial campaign.

On Aug. 7, Ryan Henry, the top deputy to Undersecretary of Defense for Policy Doug Feith responded to Waxman, stating: "There have been several stories in the media on this topic. . . . These stories describe discussions with some parts of the United States government on the possibility of using Iraq's future oil and gas revenues as security to borrow funds for rebuilding Iraq. This is not our policy. We have no plans for any such use of Iraq's natural resources. Iraq's natural resources belong to the Iraqi people."

Despite the Defense Department's denial, the securitization proposal is still under active discussion in the Ex-Im Bank. An Ex-Im Bank spokesman told *EIR* on Aug. 29 that the proposal is still under evaluation, as one of many possible ways of facilitating the reconstruction of Iraq.

Bremer Is Broke

Undoubtedly, a major reason why the oil-mortgaging scheme for future oil revenues is still being pushed, is that current oil revenues are merely a trickle—contrary to the pre-war claims that there would be billions of dollars in oil revenues to be used for reconstruction contracts and rebuilding Iraq's infrastructure.

On Aug. 26, proconsul Paul Bremer went to the White House to deliver a dire message: The occupation's Coalition Provisional Authority (CPA) is broke. Knowledgeable sources advised *EIR* that the White House was "shocked" by Bremer's report, and Bremer was ordered to go out and "soften up the press and the people" about the situation. In an interview published in the *Washington Post* the next day, Bremer declared that the costs of rebuilding Iraq are "almost impossible to exaggerate," that oil revenues will not cover the bill, and that he does not expect Iraq to return to pre-war oil export levels until at least October 2004.

This is clearly one of the factors behind the Bush Administration's about-face on going to the UN to seek a new Security Council resolution, in the hope that this will induce other countries to contribute money and troops. "We're watching the Americans verge on a change of heart," says Rosemary Hollis of the British Royal Institute of International Affairs, according to AP. "Astonishingly, they thought, before this, that not only would Iraqi oil pay for the reconstruction, but also that U.S. companies . . . would make considerable money out of it."

Because of continuing breakdowns and sabotage, oil flows out of Iraq are at best, only about 10% of pre-war levels, dashing the neo-cons' pre-war predictions of a "gusher of petro-dollars" that would make the war and reconstruction self-financing. Moreover, the costs of maintaining the military occupation force are far higher than anticipated, due to the expanding guerrilla warfare against the occupying forces.

So, it is now reported that reconstruction projects involving the most basic infrastructure—oil, gas, and water—have been put on hold, because the CPA does not have the funds to start or continue work.

An internal CPA report says that it "has inadequate funds for security, electrical, water, sewage, irrigation, housing, education, health, agriculture." As the *Christian Science Monitor* put it on Sept. 3, this means "leaving many Iraqis with worse standards of living than they had under Saddam Hussein," and also, that many of those suffering the effects, are joining the resistance.

Thus, the Cheney-Shultz vultures, hovering and waiting for the spoils of this war, may have to wait a while longer, or else start a new war someplace else.