



Resisting the economic war in Iraq

Interview with Hassan Juma'a Awad, head of Basra Oil Union

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Following the elections at the end of January, it seems the way may now be open to privatise Iraq's biggest and most strategic asset: oil. But while the UK and USA are carefully playing the politics at a government level, Iraq's occupiers may face a greater obstacle in the oil industry's workers.

Two years on from the invasion of Iraq, it's easy to feel cynical. Every day we are bombarded with new reports of violence in Iraq, of our government's dishonesty, and of the rapid privatisation of the country.

Meeting Hassan Juma'a Awad, the head of the Basra Oil Union, was a perfect antidote to those feelings. In Hassan I found a source of hope, that things in Iraq could change for the better.

The Basra Oil Union – which is independent of any political or religious affiliation –has been a powerful force in Iraq's largest industry. Representing 23,000 workers in the oil industry in the south of Iraq, it grew out of the South Oil Company (SOC) Union, and now combines ten trade union councils in nine Iraqi oil companies in Basra, Amara and Nassiriyah.

“The opinion of all [Iraqi] oilworkers is that they are against privatisation”, states Hassan. “We see privatisation as economic colonialism. The authorities are saying that privatisation will develop our sector and be useful. But we do not see it as development at all; we view any plan to privatise the oil sector as a big disaster”.

Sovereignty over its oil reserves is key to Iraq's future development, Hassan argues. “Oil must stay in the hands of Iraqis, because oil is the only national resource that we have which is of great value, and our economy depends on it”.

While this remains the trade union's long-term focus, it has achieved some notable successes in improving conditions for its member oilworkers.

Established as the Occupation began in April 2003, the South Oil Company Union worked hard to organise oilworkers, in order to strengthen the power of workers to negotiate with management. On 10th August of that year, the Union organised a strike, stopping oil exports for three days from Iraq's largest oil company.

In September 2003, US Administrator Paul Bremer issued an Order setting the wage levels for all public sector employees. Bremer's new wage levels not only reduced the levels of the Saddam era, they abolished the crucial allowances and weightings for work in remote locations or in dangerous conditions.

The lowest level in Bremer's scale was just 69,000 Iraqi dinars (US \$40-45) per month. "You can't afford to eat on such a wage", Hassan points out – just renting a cheap house generally costs 50,000 dinars a month. In response, the SOC Union issued its own recommended wage table, based on the true cost of living.

Fearful of another strike, the Governing Council (GC) entered negotiations with the Union, and in January 2004 the GC conceded. The three lowest wage levels in Bremer's scale were abolished, leaving a minimum wage for oilworkers of 102,000 dinars. Furthermore, the risk and location payments were reinstated, adding a significant further amount for many workers.

The SOC Union also pressured the foreign oil companies. In 2003, Halliburton subsidiary Kellogg Brown and Root (KBR) was appointed to rebuild Iraqi oil facilities. In the South, it subcontracted a Kuwaiti construction company Al Khorafi, which brought in 1,200 foreign workers with it, mostly from Asia – despite Iraq's enormous levels of unemployment.

The Union organised a demonstration outside Al Khorafi's offices, where the protesters were met with the Occupation forces' tanks. Still, they bravely persisted, and in subsequent discussions the company agreed to replace 1,000 of the workers with Iraqis.

However, the struggle over the control and ownership of Iraq's oil continues. Hassan is under no illusions about the reasons for the American and British invasion of his country. "When the British troops first came into Basra, they protected the oil installations, but left the hospitals and universities to be looted", he observes.

He adds, "There are two stages of this war. First, the military occupation. Then the economic war, and the destruction of Iraq's economy".

Iraq holds the world's second largest oil reserves, but they have been out of bounds to western companies since the 1970s. Now, with declining opportunities elsewhere, the companies are keen to get back into Iraq.

Oil was the one sector excluded from the mass privatisations imposed by the Coalition Provisional Authority in 2003 and 2004. While Halliburton was contracted by the Occupation authorities to carry out short-term repairs to oil facilities, the prize of major oil production contracts was left for later.

Most oil companies stated that they would wait until after elections before signing any major contracts, in order to ensure that they had a legal legitimacy which could not be challenged in international courts. Indeed, in October 2004, Oil Minister Thamer Ghadban said in an interview with Shell's internal magazine that 2005 would be the "year of dialogue with the international oil community".

The Occupation forces have consistently argued that Iraq needs the technology, expertise and capital of western oil companies in order to develop its oil, and hence its economy.

However, with Iraq's long history in oil production, it has built up a considerable skills base within its workforce. "We are also fully able to reconstruct our own workplaces because we have a high level of expertise and technological skills", says Hassan. "We want to develop our workplaces and our skills, yes, but we can rebuild our country without privatisation".

While Iraq has a strong skills base, twelve years of sanctions have left it without much of the modern oil industry technology. But Hassan believes this can be obtained by hiring foreign companies, under so-called service agreements, where the state (as client) remains in control. Indeed, such a model is commonly used elsewhere in the Middle East. "I'm not so afraid of foreign companies coming in and then leaving. In terms of redevelopment, a foreign company can provide some skills, some resources, but the administration of the development must be controlled by Iraqi people".

But it is this last condition that clashes with the American and British plans. When they talk of oil companies providing "investment", they are referring to long-term production contracts.

Companies like Shell have been arguing throughout the Occupation for the use of a form of contract known as Production Sharing Agreements (PSAs). And it seems that so far they have been having some success.

In September 2004, US-appointed Interim Prime Minister Ayad Allawi tried to pre-empt the January elections and the subsequent writing of the Constitution, by setting Iraqi oil policy on his own course. In a set of guidelines designed to form the basis of future oil policy, he stated that all new Iraqi reserves should be developed by foreign multinationals through PSAs, and that the national oil company which manages existing fields should be part-privatised. In a sinister remark, he added that these issues should not be debated in the Iraqi parliament, as that would slow progress.

While such involvement of foreign companies might speed the development of Iraq's reserves, it would also deny the country much of the revenue from those assets. Just as importantly, Iraq would lose control of the development, and even some of its power to legislate or regulate. PSAs fix the terms of who receives the oil revenues, generally for between 25 and 50 years, and restrict host governments' right to introduce any new laws that affect the companies' profitability during that period.

Although used in many smaller oil-producing countries, PSAs do not exist in any of the major oil producers of the Middle East. Meanwhile, in Russia (another major oil country), only three PSAs have been signed, all in the early 1990s, and they are so controversial that no more are likely to be signed. Internationally, PSAs are facing increasing criticism for the unfair deals they give host countries. If Iraq signs PSAs, it could be signing away its best chance for development.

Hassan Juma'a and his colleagues are certain to continue to oppose these moves. Indeed, given their effectiveness so far, the workers in Iraq's oil industry may be the biggest block to the West's plans to grab those reserves. But the oilworkers' best chance of success will be with international support.

Hassan finishes with an appeal. "We hope that all the activists in Britain will stand with us in our struggle. By doing this, you would be doing a great service to the Iraqi people. We will remember this forever."