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THE DIANE REHM SHOW

IRAQI OIL

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IRAQI OIL

10:00

MS. REHM: Thanks for joining us, I am Diane Rehm. Iraqi politicians are struggling to spell out new rules for managing and sharing their country's massive oil reserves; an agreement deemed crucial to Iraq's economic survival. But the task is hampered by complex and competing regional priorities and fears of violence.

Joining me in this studio to talk about the future of Iraqi oil J. Robinson West PFC Energy. Pardon me -- that's an energy consulting firm. And from the studios of KQED in San Francisco Antonio Juhasz, of Oil Change International. She is also the author of the book titled, *The Bush Agenda: Invading the World, One Economy at a Time*.

I'm afraid Washington's allergy season is very much getting much to me. I hope I can clear this up. We will take your calls; join us on (800) 433-8850. Send your e-mail to drshow@wamu.org. First, joining us from Baghdad, Edward Wong. He's a reporter for the *New York Times*. Good morning to you Ed.

MR. WONG: Hi Diane.

MS. REHM: And as we can tell, there is a slight delay on this line. I hope our listeners will be patient. Ed, a quarterly UN report came out yesterday with a very grim assessment of conditions in Iraq. Specifically, it was reported that the security challenges are immense and that large-scale indiscriminate killings have kept the civilian death toll in Iraq especially high. Talk about your assessment. Is the UN accurate?

MR. WONG: I think the overall theme of the UN report is fairly accurate. It basically outlines a country in which the security forces have very little control other than the immediate areas in which they are posted, and that the central government doesn't have the type of control over the country that you would expect a national government to have. The country is divided into factions, it's ruled by warlords, militias, and political parties and none of them have really coalesced into any form of real unity government as we would it. The report also talks about detainee treatment.

It criticized the treatment of detainees by the Iraqi security forces, which doesn't come as any surprise, given the fact that there have been many reports by journalists and even by the American military about the treatment of detainees. Some of our own reporters have witnessed, recently, detainees who have been tortured by Iraqi security forces. Or we can see aftermaths of that -- of those incidents. But the -- there was one contentious point in the report that the American Embassy and American officials took issue with, which was detainees were held in American-run prisons for too long without being allowed access to a lawyer. And the American officials dispute that and say that it has made great efforts to try and get legal representation to detainees within a reasonable amount of time.

MS. REHM: I gather the report also talks about collusion among the Iraqi military and militia groups. That I would think it makes the security situation even worse.

MR. WONG: Right. That is something that has been going on throughout the entire war. That is nothing new. And we haven't seen it improve dramatically either. Even though the Maliki government had said, when it came into office more than a year ago, that one of its goals was to try and get rid of the militia or sectarian elements in the Iraqi security force. But what we have seen and even in conversations that I have had with American commanders recently, there is still a lot of concern right now about the very sectarian and very partial nature of Iraqi security forces.

MS. REHM: You've been following the progress of this Iraqi oil law. Talk about the status of that law?

MR. WONG: Well, the oil law was approved by the Iraqi Cabinet around two months ago, a little over two months ago. And since then there has been no movement on it. But the Democrats in Congress are saying that this is one of the benchmarks that the administration has to force the Maliki government to meet and the administration has been pushing the Iraqi politicians here to try and make some resolution, some passage in Parliament on this oil law. But so far it's not on the parliament's schedule for debate.

The oil minister has said that it might be put on the parliamentary schedule sometime soon. But that would only be the start of the process. I mean once it's on the schedule it could still be months before the parliament actually takes it up. And then once the debate starts and that could -- there is no timeline on that, it could take a long time, months for that to resolve. And there would be lots of negotiations between the leaders of the various political parties (inaudible 649) that sort of governs more technical aspects of the oil industry here (inaudible 701) important as the oil law and so far there has been no movement on these annex laws either.

MS. REHM: Well, give us a sense, if you can, and I have to tell you Ed, that the phone line is going a little bad here. But we will keep on trying. Give us a sense of some of the competing regional views Sunnis have been particularly wary.

MR. WONG: Well, the I mean the broadly -- on the broader sense the different views on the oil law are split up along ethnic and sectarian lines. And all of the groups seem to have a very, very strong feelings about it since oil is the economic basis for Iraq. The Kurds have basically been among the biggest drivers of certain clauses in the oil law. And they are saying that basically they want as much regional control of oil as possible. Because there is a fairly significant amount of oil up in the Kurdish regions to the north. And they want to try and maintain control over that and be able to have a final say over any contracts that they sign to do exploration and development of those oil fields.

MS. REHM: But now, isn't there a great deal of concern Ed, that there is too much control and potential revenues being turned over to foreign interests. And isn't that part of the problem?

MR. WONG: That's not part of the debate -- that's not part of their debate, not the Kurds. They are more concerned that revenues will be turned over to the central government, and that they are not going to see a significant share of those revenues coming back to Kurdish hands. So, they want some sort of mechanism where they will be guaranteed a certain share of revenues that the central government collects.

They are concerned because they are -- the Kurds are historically very suspicious of the Arabs. And for good reason too because under the Saddam government the Iraqi government tried, you know, programs of genocide against the Kurds up in the north. So, they are very suspicious of it and they don't want -- they want as little control over the oil money as possible by the central government. They've agreed -- the Kurds have agreed in principle that the revenues from the oilfields should be put into a central pool and then those central pool revenues should be split by population according to the region. But it's -- on a technical level the Kurds insist on a very strict process by which that revenue will automatically go back to the Kurdish region and to other regions. And they are basically being -- they want to hammer out -- there is that process by which that will happen.

And also there is (inaudible 1011) over. In principle, on the Cabinet level, they agree to have revenues from the discovered future oilfields also be put into the central pool. But now we are hearing some contrary views from Kurdish politicians up north saying that they are not so sure they want that any more. And that they want to have as much control over the discovery of future fields and the revenue from those fields. They want to have as much control as possible. And the Iraqi constitution was written in a way to give the Kurds that control over future fields.

MS. REHM: All right Ed, one last question. There was a report earlier this week and that there are likely to be enormous reserves under Sunni territory as well. What kind of a difference would that make?

MR. WONG: It wouldn't make much difference. Because in these negotiations the Sunnis basically want to -- the central government to have as much control over the oil industry and the oil revenue as possible. Because they think that if the Shi'ite and the Kurds are given regional control then they will be left with no oil revenue. Because all these oil resources that have currently been developed or can be developed quickly are in the Kurdish region and then vastly in the Shi'ite region.

The thing is that there are some studies that

show that there must be some oil reserves beneath the Sunni regions in the west. But the fact is that those will take very long to develop. It might take decades to do all the exploration and development at those fields. And so, it is not a realistic solution to work towards the compromise.

MS. REHM: Edward Wong, he is a reporter for the *New York Times* based in Baghdad. Thank you so much for joining us. And when we come back we will talk further and take your calls, (800) 433-8850.

(Intermission)

MS. REHM: The issue this morning is Iraq's oil reserves, how they are going to be utilized, how the money for them will be divided. With me here in the studio J. Robinson West. He is Chairman of PFC Energy an energy consulting firm. And joining us from San Francisco is Antonia Juhasz of Oil Change International. She is also the author of a book titled, *The Bush Agenda: Invading the World, One Economy at a Time*. Do join (800) 433-8850. Send e-mail to drshow@wamu.org. Robin West what are the overall estimates with respect to Iraq's oil reserves?

MR. WEST: Diane, the oil reserves in Iraq are huge. If you take what's proven, reserves are estimated at about 112 to 115 billion barrels. And then what is probable is another 100 billion barrels or so. So, this is a gigantic resource base. And it is very important to world oil markets.

MS. REHM: Now, what is the level of production today?

MR. WEST: Well, production today is, officially it's about 2 million barrels a day.

MS. REHM: Two out of the 2 billion.

MR. WEST: Well, yeah if that's -- we think actually it's closer to 1.9. The highest that they had was something in the order of 3.3 to 3.5 million barrels in the past. That's what they --

MS. REHM: You mean under Saddam.

MR. WEST: Yes. And the target is to bring it up

to 4 million barrels fairly soon.

MS. REHM: I see.

MR. WEST: If they can get the law and get security. And then the goal is actual 6 million barrels, which is, you know, an enormous amount of oil.

MS. REHM: So, how important is it that there be an oil law?

MR. WEST: Well, the oil law is just part of the overall situation. You have to have a -- some kind of a legal regime to structure the oil. Oil is crucial, as you pointed out, to the economic survival, but it's also crucial to the political survival of the country. And oil can be the centrifugal or centripetal; it can either hold a country together or cause it to fly apart.

MS. REHM: J. Robinson West, Chairman of PFC Energy. And turning to you Antonia Juhasz, you've written that the new oil law would take the majority of Iraq's oil out of exclusive hands of the Iraqi government and open it to international companies for a generation or more. Explain what you mean.

MS. JUHASZ: It is absolutely and thanks for having me on the show, Diane.

MS. REHM: Sure.

MS. JUHASZ: The first critical question is if Iraq needs a new oil regime. And that's already up for debate because Iraq already does have oil laws and has for many, many decades. If it needs new oil laws is this, the one on the table, the law that it needs. And what this law does is open up at a minimum, two thirds of Iraq's oil to private, foreign, corporate investment. On terms that are literally the most generous available, just about anywhere in the world. Generous to the oil companies that is. It says if they wrote the law themselves and in many respects they had a good, a good share of participation in that process.

When Edward gave his excellent description, of where things are with the law right now and who the key parties are in the debate, he left out two really key

players. That is of course the Bush Administration that has been pushing this law, this version of the law since even before the war began, and also of course U.S. and international oil corporations, who have also been pushing aggressively for Iraq and all of the countries in the Middle East to change from their current nationalized oil systems.

Which in the case of Iraq prior to the invasion meant that U.S. and British oil companies, in particular, were largely shut out of Iraq's market. To a privatized system that in the case of Iraq using this oil law as an example, which shifts from before the invasion U.S. oil companies were essentially shut out to after the invasion U.S. and British and other oil companies having the potential to explore for, produce, and essentially own the vast majority of Iraq's oil. At a time when Iraq is, of course as Edward also pointed out, at its absolute weakest state that it -- that one could possibly imagine.

MS. REHM: But Antonia, what about questions of revenue sharing? What kinds of proposals have been made? And what about concerns by each of the three groups involved?

MS. JUHASZ: So, in terms of revenue, the first is to emphasize what Mr. West just said, which is that Iraq is producing 2 million barrels of oil a day right now. Last year that brought into Iraq over \$30 billion worth of revenue. Under Iraq's constitution, the current constitution, there is already a requirement for revenue sharing.

And what revenue sharing means, which is an excellent change particularly from the period under Saddam Hussein, is that the revenues that stay in Iraq would be evenly distributed on a per capita basis. I think that is a great proposal. But unfortunately, in terms of the law that we are discussing, that's about three sentences out of a 40-page law. The rest of the law turns the vast majority of Iraq's revenues so that they can leave the country. So, Iraqis are evenly distributed and you know the three cents left over from the \$3 billion that went off to international oil companies.

MS. REHM: West, do I understand correctly that this law would mean that the Iraq national Oil Company

would have exclusive control of only 17 of Iraq's 80 known oil fields. Which would leave two thirds of the known as well as the undiscovered fields open to foreign control.

MS. JUHASZ: That's right, as it is defined in the draft of the bill that was put out -- publicly released by the Kurds on their website actually. Iraq's known oilfields that are being developed, which is also how you define developed is up for grabs, so it could be even less than this number of 17. But at most 17 of Iraq's known oilfields. And again to emphasize this point, Iraq is literally like a bonanza of oil. It's -- I envision it as the way I think many in the international oil sector do as a giant pimple of oil that has yet to be plucked. It's literally --

MS. REHM: Antonia Juhasz, is an analyst for Oil Change International. Do join us (800) 433-8850. Send your e-mail to drshow@wamu.org. Robin, as some people have argued that this revenue sharing plan could in fact have the effect of splintering rather than unifying Iraq. Now, what is your thinking on this?

MR. WEST: Well, I think there are two issues to keep in mind. One is the process of getting the law done. And then what does the law say. And as was pointed --

MS. REHM: And there of course having a very hard time drawing this parliament together --

MR. WEST: Well, that is --

MS. REHM: -- to get this law going because of the violence there.

MR. WEST: Well, it's not just the violence. It's -- this is a huge price politically. And it will determine where a lot of the wealth of the country goes. I think, frankly, it's a mistake that this be one of the benchmarks for the performance of the government.

MS. REHM: Why?

MR. WEST: This is like saying for the United States well why don't you solve States Rights or slavery in six-week period.

MS. REHM: First --

MR. WEST: This is a big deal. This is going to take time. And to ram something through could actually cost more fights than to try and build a national consensus.

MS. REHM: Do you agree with that Antonia, do you think that the U.S. is putting pressure on the wrong spot?

MS. JUHASZ: I couldn't agree more. It's absolutely ridiculous that the U.S. Congress and the Bush Administration should be saying to Iraq in the middle of a war, in the middle of a foreign occupation, "You need to deal with the most important critical issue facing your country now. It is our timetable. You have to do it because we say so." It's absolutely ludicrous.

MS. REHM: Okay, but going back to what the law would do. There was a letter to the editor in the *Washington Post* last month from Zalmay Khalilzad, the U.S. Ambassador to Iraq. He said that the proposed law would legitimize the fragmentation of Iraq and is a threat to Iraqi sovereignty and democratic order. Do you agree with that?

MS. JUHASZ: (inaudible) 2358 I'm sure that Ambassador Khalilzad didn't say that. It was probably an op-ed -- a letter to the editor in response to an op-ed --

MS. REHM: That is exactly right.

MS. JUHASZ: -- that he wrote.

MS. REHM: That is exactly right. Forgive me, go ahead.

MR. WEST: I think you have to be -- there is some critical details that haven't been worked out. And that's what people are arguing about. And until those details are worked out. Essentially, the Kurds don't trust Baghdad. And they are very suspicious that if money goes to Baghdad it will never come back to them. And the logic of distributing the oil wealth on a per capita basis makes a lot of sense. But the mechanics and control are really what people are concerned about.

MS. REHM: So, where are we going to go with this? Where are the Iraqis going to go with this? How long is it going to take, Robin?

MR. WEST: Well, I think there are two issues. I think probably -- I sense is Ms. Juhasz and I agree on a number of things. Where I disagree very adamantly is Ms. Juhasz believes that government control of oil is a great thing. If you look at Venezuela, Mexico, Iran, a number of countries around the world.

MS. REHM: What about Libya?

MR. WEST: Libya actually has always been open to international investment. Not to Western companies. But those places where the oil sector is controlled by the government are generally extremely inefficient, extremely corrupt, and are operated at huge cost to the people. So, the notion that bringing in international companies is a bad thing I just don't think it's true. And I don't think the facts bear it out.

MS. REHM: Antonia?

MS. JUHASZ: I didn't say that bringing in international oil companies is inherently a bad thing. In fact, Iraq's neighbors Saudi Arabia, Iran, Kuwait all bring in international oil companies. But they do it on incredibly different terms than those that are being offered right now in Iraq.

MS. REHM: Such as?

MS. JUHASZ: Limited service contracts for two to three years. Instead of what's in the current law, which offers contracts up to 35 years.

MS. REHM: What do you think of that, Robin?

MR. WEST: I think this is something that's got to be worked out between the government and the companies. There is a market and frankly the Iraqis are pretty smart. We've dealt with them. They will drive a hard bargain.

MS. REHM: But if you've got a government in total disarray and you've got a parliament unable to agree on what kind of manner in which to proceed, doesn't that, as Antonia suggests, put the Iraqi government as it were in

a very weakened situation?

MR. WEST: Oh, I think it certainly does but I think also if you have a -- if you don't have a legal regime under which you can invest and if you don't have any physical security, the companies aren't going to make any serious investments.

MS. REHM: At 27 before the hour, you're listening to *The Diane Rehm Show*.

And it's time to open the phones, (800) 433-8850; send your e-mail to drshow@wamu.org. First to Kalamazoo, Michigan; good morning, Margaret.

MARGARET: Good morning. I'm very happy for you having discussed this oil law. I lived in Iraq for 30 years and all of the Iraqi oil belongs to the Iraqi people. I don't think any of it should belong to foreign owners. I think that while I lived there it worked out very well that they sent out oil, students to study, and they knew how to handle it. And they can, if people would stop the occupation and let them -- it used to pay for all of the development; 75 percent of the oil revenue went for development, it paid for all the doctors, all the teachers, all the government workers, paid for roads, dams, projects for irrigation.

I don't know how it doesn't look to the rest of the world but to me it looks like they went to oil -- to Iraq to get the oil and they are staying in Iraq to keep the oil.

MS. REHM: Antonia, do you want to comment?

MS. JUHASZ: Yeah, absolutely. And I think the period that the caller is referring to that is most critical to highlight is before Saddam Hussein came to power in 1979. Iraq was actually one of the earliest countries to begin nationalization of its oil. It began in 1961 and the full nationalization took place in '72. During the 70s Iraq was actually a fairly unique example of a country that was able to highly develop -- a skilled development of its oil sector and then reinvest that money, just as the caller described, back into the economy in an incredibly just manner.

And those same people who did that are still alive, are still working in the oil sector. Iraq's oil

workers, for example, the oil workers' union, which represents tens of thousands of workers is adamantly opposed to this law.

MS. REHM: Now, under this law, Robin, would foreign companies who own or work some of these oilfields be required to reinvest some of their earnings back into Iraq?

MR. WEST: Well, I think one of the first things to keep in mind is that if these companies are brought into Iraq --

MS. REHM: Yeah.

MR. WEST: -- if they invest -- and by the way, they would invest on a contractual basis.

MS. REHM: Okay.

MR. WEST: The government would control their activities. But they would have to invest tens of billions of dollars to bring production back up and that's money which frankly the Iraqi government doesn't have. And if they want to -- if the Iraqi government wants to spend that money, to invest that money in oilfields as opposed to schools and roads, fine. But that's -- there is a huge opportunity involved.

MS. REHM: But hold on for a minute, surely with the oil companies investing tens of millions of dollars --

MR. WEST: Billions, billions.

MS. REHM: Okay, but surely they will reap hundreds of billions of dollars in profits. So is there any plan to reinvest some of those profits back into Iraq?

MR. WEST: I think one of the things to keep in mind, as I alluded before, is that there is a world market in rights. Governments watch what other governments are getting. And frankly, a deal which is unsustainably favorable to -- or so favorable to international companies is unsustainable and the people won't accept it. And so that the governments will take back more.

MS. REHM: Okay, when we come back, Antonia Juhasz, I'd like you to comment on that. We'll also take more calls. Join us on (800) 433-8850. I look forward to

hearing from you.

(Intermission)

MS. REHM: Just before the break, we were talking about oil companies reinvesting a percentage of their earnings back into the Iraqi economy. Antonia, it's your turn.

MS. JUHASZ: Thanks very much. So of course the answer to that question is no, the foreign oil companies do not need to invest a penny of money back into the Iraqi economy, they don't need to leave any of their earnings in Iraq. And beyond that, what we usually hear for the justification for this law is that Iraq desperately needs the expertise that U.S. oil companies have to offer and the technology that U.S. companies have to offer.

I couldn't agree more. The problem is that that the law specifically says that foreign oil companies do not need to transfer any technology. They don't need to share any of their skills. They don't need to train Iraqi workers. In fact, they don't even need to hire Iraqi workers. And as you said, they don't have to invest any of their money in Iraq. The law is written to specifically service the interests of the foreign companies and to provide very little, I would argue, benefit for development, economic development to Iraq.

MS. REHM: All right, let's go now to Alton, Illinois. Good morning, Vivian; you're on the air.

VIVIAN: Good morning. I'm so glad these last couple or three ladies have called in and talked about Iraq. I lived in Saudi Arabia myself for 5 years and with their oil revenue they just have brought the country a long way. I don't approve of their government but that's their country and their business. And the same thing with Iraq. They should have, as far as I am concerned -- I knew when we went there it was for oil and nothing but oil and that's what it's turning out to be.

These people's country has been torn apart; their people have been killed. Every video -- I mean, it was (inaudible). If we hadn't went in there and did these things it would not be like this and it's all for the control of Iraqi oil and I think it's just terrible.

MS. REHM: Robin West.

MR. WEST: I don't think that's quite accurate. If you look at the contracts that the government is most interesting in pursuing, they are with a Russian oil company, with the Petrovietnam, with a Malaysian oil company. The American oil companies so far seem to be in no preferred position whatsoever.

MS. REHM: Antonia.

MS. JUHASZ: Well, the U.S. oil companies are waiting to get the best deal possible. They are biding their time with the Bush administration daily, putting incredible pressure on the Iraqis to pass this law. The contracts that Mr. West has referred to are the preexisting contracts that were signed under Saddam Hussein that have been up for debate for the last 4 years, were they going to go through, were they not; they're starting to go through.

But also to say for example that the Russians are signing contracts, the contract in -- for the West Qurna Field, which Lukoil has signed, has a 20 percent ownership by ConocoPhillips, of course a U.S. company. Also the Iraqis, when the Iraqi oil ministry was -- has been debating this bill, they went on a tour, an informational tour to get some input on what the bill should look like. They went directly to the corporate offices of Conoco, of Exxon, of Shell and BP -- the big oil companies, believe me, want in. They just want in on their own terms.

MS. REHM: All right. A caller in Lancaster, Pennsylvania. Good morning, John, you are on the air.

JOHN: Hello, Diane.

MS. REHM: Hi there.

JOHN: I am glad to see you on here, Antonia. I think this is the number one topic of this whole Iraq situation. I saw you at the hearing that Maxine Waters had after the peace march in January and I think it's -- I'm really glad that you're on here.

MS. JUHASZ: Thank you.

JOHN: I am so tired of listening to people like Mr. West, who talks about the wonderful invisible hand of the market --

MS. REHM: I don't --

JOHN: -- when actually it's just robbery.

MS. REHM: Okay. I don't think you need to make your remarks quite so ad hominem, but please, let's have your question or comment.

JOHN: I just think this should be a topic that's on everybody's lips because it's been avoided.

MS. REHM: Do you think we've avoided the situation there, Robin?

MR. WEST: I think that this hasn't been particularly well handled.

MS. REHM: Yeah.

MR. WEST: I agree with Antonia that the industry wants to come in. I think John of Lancaster, with all due respect, has not studied the oil market very closely. If you look at what's happened, for example, in Libya, you will see that the oil industry is prepared to invest on a basis in which they are barely recovering their cost of capital. That means they aren't making very much money.

This is a very, very aggressive, competitive business. Capital -- because of high prices, capital is pouring in. Exxon announced this morning or yesterday that it's made \$9 billion in a quarter. Some of these companies are making huge sums of money. But I think before people generalize, they should understand exactly how people are making money and they should understand in most of the world the people making most of the money are the governments. Now, the people of the countries in oil-producing countries, often, they aren't getting the money, I agree with that.

MS. REHM: And that's where our next e-mail comes in from Hernandez, who says, "Why can't Iraq distribute oil revenues directly to its citizens? Then everyone would have a stake in oil production, thus providing protection to pipelines and other infrastructure." Antonia?

MS. JUHASZ: Well, there isn't any reason why they can't or they shouldn't. The political debates that we are seeing in Iraq right now have really everything to do with regional control. And Iraqis voiced the concern

repeatedly -- they actually -- many referred to this law as the Iraq separation bill, that because of the way power is distributed in the bill that the regions, particularly the Shia and the Kurdish regions are going to gain undue control over decision-making over the oil. And that this bill actually makes that outcome more likely. The desire to keep Iraq together also rests on keeping those revenues centralized and then distribute it out.

MS. REHM: Indeed. All right, to Madison, Wisconsin. Good morning, Abu, you're on the air.

ABU: Well, thank you, Ms. Rehm.

MS. REHM: Certainly.

ABU: And always nice to listen to you because you are the consummate journalist.

MS. REHM: Thank you.

ABU: Here is the key, and I think this conversation in a way, with due respect, has been rather academic, and here is why I say so. There has to be a perception in the minds of Iraqis that the oil laws are benefiting the Iraqis first and foremost and that the lawmakers, if one can call them that, are not selling out to foreign interests. Since oil extraction, meaning oil rigs and transportation pipelines, are very visible structures, they are highly susceptible to sabotage. This will make the PSAs, which are production-sharing agreements, really worthless. So the oil law being forced through the Iraqi parliament is really largely an academic exercise.

MS. REHM: What do you think, Antonia?

MS. JUHASZ: I would beg to differ. As someone whose background is in public policy I never see laws as academic. The oil companies, if the law passes, first of all, it offers them as long as 35-year contracts. And then those contracts are upheld in international courts, not in domestic Iraqi courts. In addition, the law gives the companies 2 years within which they could sign the contract but then not even get to work. They would have locked-in access. Of course, that could be overturned if the Iraqi government was able to pull that through.

But I would argue, frankly, that the U.S.

military is being used as the police force to guarantee this law is able to get into practice. And that's a devastating situation.

MS. REHM: Robin.

MR. WEST: Two points, I think the caller is absolutely correct in the sense that if the public doesn't perceive the law as fair and if they don't benefit, it is unsustainable. I've always believed that and said that. I wrote an op-ed piece before the war broke out in *The Washington Post* saying the money should be distributed to the people. The problem is the politicians don't want to do that.

I think certain points of the law, for example, this notion that there is international arbitration, that's basically in all laws and -- around the world as the industry --

MS. REHM: But if you don't stop the fighting what is there to protect these oil rigs from being destroyed?

MR. WEST: Oh, I agree. I mean -- and the industry won't invest. If you don't have a legal regime and if you don't have the physical security -- and I don't care whether the Iraqi government does it or the companies do it, you will not have sustainable production.

MS. REHM: Let's go to Boca Raton, Florida. Good morning, Daniel.

DANIEL: Good morning. I had just a comment. It seems that here we are again, corporate interests are going to come in. They are going to privatize an oil sector, something that we tried to do covertly in Iran, which we probably are going to reenter Iran. In 1953, it's all history, we can go back and read it, we overthrew a democratically elected prime minister who wanted to maintain, and he did, the nationalization of -- in oil in Iran, which is still that way, much to our dismay. Britain and the U.S. did not want that.

So here we are again, doing our deed in Iraq and we are planning our deed in Iran, Iran who has the fifth-largest oil reserves in the world, the second-largest natural gas reserves, strategic location, much like Iraq. It's just so obvious. Why aren't we as Americans thinking

and looking for the truth in things and quit listening to what people are telling us? We should have listened to the Bill Moyers show last night that laid it all out.

MS. REHM: I did in fact listen to -- or watch the Bill Moyers show last night. Antonia.

MS. JUHASZ: I think what this really comes down to is what should be the role of the U.S. Government in this situation. Should the U.S. Government on our behalf be forcing through its Congress, through its military, through its President, the passage of a law which seems blatantly unfair and at a minimum taking advantage of a country in let's just say a fairly weak situation? And should that or should that not be the role of our government and our military? I think certainly the listeners seem to agree and I certainly believe that that should not be the role. And what then do we need to do as citizens of this country to make clear that that is not what we want our government and our military to be doing anywhere.

MS. REHM: Robin West.

MS. JUHASZ: Either in Iraq or in Iran, anywhere else.

MR. WEST: I think that the function of the U.S. Government should be to try and make sure that the Iraqi people get a fair deal. I think that's critical and if it isn't a fair deal it's not sustainable. But I think we should also recognize that the world needs Iraq's oil and whether the Iraqis produce it themselves or companies produce it, we desperately need this oil.

MS. REHM: Do you believe that a good part of this war in Iraq was about Iraqi oil?

MR. WEST: No. And I argued with the administration on a number of cases about trying to set up some kind of international program so that it was clear that it wasn't about U.S. interests in oil. And I think that frankly this is another area which has not been executed as well as it could have been. I think that if they had set up some kind of international trusteeship, the interests of the Iraqis and the world economy could have been protected.

MS. JUHASZ: Yeah, I have a question --

MS. REHM: At 7 minutes before the hour, you are listening to *The Diane Rehm Show*. Antonia, go right ahead.

MS. JUHASZ: I'm actually just curious if Mr. West could tell us why do you think that the administration didn't agree to your proposal.

MR. WEST: I think that they were -- earlier on, I think they were afraid of international control of any aspect of Iraq, and I think also frankly that some of the people did not understand the petroleum sector very well.

MS. REHM: Antonia, do you believe that, as many of our listeners have called in and said and sent e-mails, that the real reason for the U.S. going into Iraq was to control the oil?

MS. JUHASZ: I mean, I think there's two words that describe most concretely the interests of the administration in invading Iraq and those are oil and Israel. And the two go somewhat together. But I think control of oil isn't just about profits, which of course it is, but it's also about global control and hegemony. And as Mr. West said, Iraq's oil is critically important, the second largest oil reserves in the world, in the region where two-thirds of the world's remaining oil lie. He who controls that oil is in a pretty powerful and profitable position. And I think that the Bush administration was and remains very desirous of being the person in that position -- or the country in that position.

MS. REHM: Let's go to St. Louis, Missouri. Good morning, Jim.

JIM: Hi, Diane.

MS. REHM: Hi there.

JIM: I totally agree with many of the comments. Just to place this entire discussion today in a wider context, Bush's latest line, irritatingly laughable, is "I strongly believe that politicians should not be telling generals how to do their job." That is all the Bush gang has ever been doing and that's how this war got started. Thank you very much.

MS. REHM: All right, thanks for calling. Robin West.

MR. WEST: Well, I think the problem a little bit is that oil is critical. I think Antonia and I agree on this. And I think we both -- I think a lot of people agree that we've got to get a fair deal for the Iraqis. I think the tragedy of this has been that it has not been well managed. And I think the costs to the stability of Iraq could be very substantial.

MS. REHM: Do you believe the U.S. Congress and the White House will continue to push the Iraqi parliament perhaps faster than it can possibly go to come up with this oil law?

MR. WEST: I'm afraid they will and I think that would be a serious mistake.

MS. REHM: Antonia?

MS. JUHASZ: Yeah, actually on my organization's website, which is priceofoil.org, we have information for contacting members of Congress and the Senate in the administration right now urging them not to have this oil law be a benchmark and urging them to stop the pressure on the Iraqis. So I encourage folks to visit our site to have their voices heard.

MS. REHM: And to what extent do you think you can be effective here, Antonia?

MS. JUHASZ: Clearly, the American population is opposed to this war, is opposed to it continuing. And I think what we have to articulate to our elected officials is that their desire on both sides of the aisle to gain the Presidency is dependent on how they deal with this war, their continuation in their offices that they hold is dependent on how they deal with this war.

MS. REHM: All right. Antonia Juhasz, she is an analyst for Oil Change International. She is the author of *The Bush Agenda: Invading the World One Economy at a Time*. J. Robinson West is chairman of PFC Energy; that's an energy consulting firm. Thank you both so much for joining us.

MR. WEST: Thank you, Diane.

MS. JUHASZ: Thank you very much.

MS. REHM: And thanks for listening, everybody.
I am Diane Rehm.

SPEAKER: *The Diane Rehm Show* is produced by Sandra Pinkard, Anne Adams, Nancy Robertson, Jonathan Smith, and Tanya Weinberg. The engineer is Toby Schreiner. Dorie Anisman answers the phones.

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