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Who Is Stealing Iraq's Oil?

By Robert Baer

It took quite a while, but it appears that the Bush Administration has finally gotten around to acknowledging that Iraq has an oil problem. The Government Accountability Office is about to release a report that estimates 100,000 to 300,000 barrels of oil goes missing every month. According to the *New York Times*, the GAO will not offer a conclusion about what specifically is happening to the missing oil, other than it is probably lost to corruption, smuggling or just bad accounting.

Iraqis oil traders, on the other hand, tell me they think they know exactly where the stolen oil is going — the militias appropriate it to arm and feed the rank and file. The same traders also tell me there's a lot more pilfered oil than the GAO acknowledges, and that the practice started as soon as Saddam fell. And why would anyone be surprised? Saddam's regime itself survived off stolen oil during the 12-year U.N. embargo.

The oil traders tell me the principal market for stolen crude is Basra, Iraq's only access to the Gulf. Fadhila, the strongest Shi'a militia in the city, pretty much monopolizes the trade. Fadhila currently offers pilfered oil for \$10-12 a barrel. Buyers have to arrange for small freighters to ship it to Dubai, where it is sold at the dock for around \$30 a barrel. The oil is sold on the international markets, commonly using a false certificate of origin or blended with other oil to disguise its origin. More and more frequently, however, co-opted employees in Iraq's Ministry of Oil help document the oil. Traders can expect to make a 4% return on the oil for themselves, with the rest of the money going to Fadhila and other militias.

Needless to say, the importance of oil revenue hasn't been lost on Iraq's other ethnic groups. This week a Norwegian company will announce it will start pumping oil in Iraq's Kurdistan; never mind that there is no legal framework yet to do so. The Kurds know as well as anyone that without oil they will starve.

As for the Sunni, they have virtually no proven reserves, nor do they sit on a main export route as do the Shi'a and the Kurds. Since the invasion they have resorted to stealing and smuggling from government facilities small amounts of finished oil products, such as fuel oil and condensates. Sunni tribes in Anbar province do most of the smuggling. According to the tribes themselves, the American military looks the other way in order to keep the tribes on their side in the war against al-Qaeda.

In the run-up to the Iraq invasion, then Deputy Defense Secretary Paul Wolfowitz assured Congress that Iraqi oil would pay for the country's occupation and reconstruction. If my Iraqi oil traders are right, it's one more thing we need to add to the long list Wolfowitz and his neo-con friends in the Administration got wrong: oil is helping pay for Iraq's destruction.

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