



U.S. Experts Voice Concerns Over Iraq Oil Minister

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WASHINGTON (Reuters) - Iraq's choice of Ahmad Chalabi as acting oil minister has raised concerns that he is not the best person for the job because he has little energy experience and was once convicted of bank fraud, U.S. energy experts said on Thursday.

Oil is Iraq's chief source of revenue as the nation struggles to rebuild. Iraq now produces about 1.9 million barrels of crude oil a day and will try to boost output as it slowly repairs and replaces obsolete technology.

"You are to some extent, from the perceptions of many Iraqis, putting a fox in charge of the henhouse," said Anthony Cordesman, referring to Chalabi. Cordesman is a Middle East expert at the Center for Strategic and International Studies based in Washington.

Chalabi is taking over the ministry at a critical time. It must make decisions on which companies get preference for oil sales, which contracts are honored and which will be renegotiated. The ministry also faces frequent sabotage against its oil pipelines.

"(Chalabi) is going to make it extremely easy for people to make charges about corruption and raise questions on how the oil money is distributed," said Cordesman.

In 1992, a Jordanian military court found Chalabi guilty of bank fraud. He denied the charges, fled Jordan and filed a lawsuit in the United States accusing the Jordanian government of framing him.

On Thursday, Chalabi said he would be acting oil minister for "a short time" and would not make any abrupt changes. He was appointed by Prime Minister Ibrahim al-Jaafari.

U.S. experts said a long-term assignment for Chalabi could rock Iraq's oil ministry and the country's vital oil revenue stream.

OIL RESERVES

Iraq has an estimated 115 billion barrels of proven oil reserves and at least 110 trillion cubic feet of natural gas.

"What the Iraqi oil sector needs right now is security, transparency and stability, and Chalabi does not have a reputation for bringing any of those," said energy consultant David Goldwyn. He dealt with international energy issues during the Clinton administration.

"There's certainly potential for mischief-making," Goldwyn said, adding that other cabinet members will keep a close eye on Chalabi to maximize Iraq's revenue from oil sales.

If Chalabi gets a permanent job at the oil ministry, even as a deputy rather than the oil minister, it will signal that politics rules over engineering, said Daniel Sternoff, director of geopolitics at Medley Global Advisors.

"The oil technocrats and engineers will be extremely unhappy if Chalabi is named full-time (minister or deputy minister)," said Sternoff. "These are people who suffered under Saddam and his over-politization of the oil ministry, choosing politics over what is best for Iraq and its oil industry."

However, John Lichtblau, an energy analyst at the PIRA Energy Group in New York, said Chalabi needs to rely on the ministry's experienced workers and can't afford to replace them with friends.

It does not really matter with foreign companies who the oil minister is at this point, because Iraq remains an unsafe place to do business, Lichtblau said. "The main problem is not any government policy, but the insurgents that try to block (oil) exports," he said.

The high-profile oil ministry job may be especially attractive to Chalabi who has expressed interest in other top government positions, Cordesman said.

"It's one of the most powerful positions in Iraq," Cordesman said. "He has political ambitions."

By Tom Doggett

