



Oil Ministry is Key to Unlocking Paralysis in Iraq

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When Iraq's national unity government is announced, possibly as early as next week, the post of oil minister will be a key indicator of whether new prime minister, Nuri al-Maliki, has the will and the ability to fight the country's paralysing political cronyism.

Both US and western diplomats and Iraqi politicians say that Mr Maliki's cabinet needs not only to bring in ministers who have the support of the three main ethnic and sectarian groups -- the Shia, Sunni Arabs and Kurds -- but must also ensure that they take orders from the centre, rather than their own parties.

Over the past year the oil ministry has been an example of what is not wanted. Since April 2005 it has been under the influence of the Fadila, or Virtue party, one of the four major forces in the ruling Shia United Iraqi Alliance and particularly strong in the southern oil-producing province of Basra.

Industry insiders say that Fadila exploited the government's failure to bring the ministry under its authority to edge out skilled technocrats and replace them with inexperienced party loyalists such as the recently appointed Hashem al-Hashimy. Before becoming oil minister he held the tourism and antiquities portfolio.

Rebuilding Iraq's oil sector, home to the world's second biggest reserves after Saudi Arabia, is crucial to economic survival. Yet production has stalled at 2.14 million barrels per day last month -- the same as it was a year ago but less than the 2.3 barrels it was in April 2004 or the prewar peak production of 2.5m barrels, despite billions of dollars of investment.

Much is attributed to insurgent sabotage but corruption is also crippling. A recent report by the ministry's inspector-general claimed that \$4bn (€3.1bn, £2.2bn) in petrol was smuggled out of Iraq last year, with crude oil stolen directly from pipelines.

"The corruption in the oil sector and smuggling of oil products to neighbouring countries are the most important reasons behind the loss of billions of dollars, and these two problems are the biggest threat to Iraq's economy," the report said.

According to political insiders, Fadila is fighting to hold on to the post, but there is broad agreement among parties that its hold be broken. Washington is said to be quietly pushing Thamer Ghadhban. Shia populists, however, deride Mr Ghadhban, who served in the ministry under Saddam Hussein, as a throwback to the old order.

Candidates independent of the main parties but with ties to the ruling Shia Islamist coalition, such as nuclear scientist Hussein Shahrstani or Ibrahim Bahr al-Ulum, a former oil minister, may offer a compromise.

By Steve Negus
Financial Times

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