



Written by [Jack Kenny](#) on June 3, 2013

Iraq War Paying Off — for China

Remember those assurances that the Iraq War would [pay for itself](#), once those oil revenues began gushing forth from a liberated Iraq? Well, a decade later, the Iraq War is paying off after all — for China.

“We lost out,” said Michael Makovsky, a former Defense Department official in the Bush administration. “The Chinese had nothing to do with the war,” he told the [New York Times](#), “but from an economic standpoint they are benefiting from it, and our Fifth Fleet and air forces are helping to assure their supply.”



China is the biggest customer of Iraq’s oil, buying nearly 1.5 million barrels a day, close to half the oil Iraq produces, the *Times* reported. Beijing is looking to increase that share as it bids for a stake now owned by Exxon Mobil in one of Iraq’s largest oil fields.

“The Chinese are the biggest beneficiary of this post-Saddam oil boom in Iraq,” said Denise Natali, a Middle East expert at the National Defense University in Washington. “They need energy, and they want to get into the market.”

With an estimated [143.1 billion barrels](#) in extractable oil reserves, Iraq is the second largest exporter of oil among the Organization of the Petroleum Exporting Countries (OPEC), trailing only Saudi Arabia. China has recently become the world’s biggest importer of oil and is investing in oil and gas fields around the world, having spent \$12 billion in that effort in 2011, according to the U.S. Energy Department. More than half of China’s oil imports come from the Middle East, even while the West’s economic sanctions against Iran over that nation’s nuclear program have reduced the amount of oil available from that source.

Iraq was already one of the world’s leading exporters of oil before the U.S.-led sanctions against the Saddam Hussein regime over violations of UN resolutions crippled the nation’s economy, including its oil industry. Part of the rationale given for the invasion and “regime change” in Baghdad, in addition to Saddam’s alleged “weapons of mass destruction,” was to revive the oil industry to pre-sanction levels or higher. The WMD were never found, but the increased production of oil in Iraq, much of it pumped by Chinese workers, has added to the world supply, offsetting the effect of reduced exports from Iran. U.S.-led sanctions against Iran are based on claims the nation’s nuclear program is aimed at developing nuclear weapons, though all 16 U.S. intelligence agencies have reported no evidence that the Tehran government has made that decision.

China National Petroleum is looking to expand its production in Iraq with its bid for a 60-percent share, now held by Exxon Mobil in a large oil field in southern Iraq. The U.S.-based company has so far refused to sell, but China National recently said it would be interested in forming a partnership with the American oil giant. Exxon Mobil may be forced to divest, the *Times* reported, because of its oil interests in Iraqi Kurdistan. The Kurds are said to offer more generous terms than the Baghdad government, which is reportedly unhappy with companies making separate deals in the semi-autonomous Kurdish



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region.

The Chinese companies aggressively seek new contracts with Baghdad and are willing to accept lower profits to get them. “We don’t have any problems with them,” an Iraqi Oil Ministry official said, “They are very cooperative. There’s a big difference: the Chinese companies are state companies, while Exxon or BP or Shell are different.”

One big difference is that the American companies are profit-making enterprises. The state-owned Chinese firms don’t answer to shareholders, pay dividends, or necessarily make a profit. As a result they can make higher bids than their Western rivals as they strive to secure a steady and expanding supply of oil for their nation’s growing and energy-hungry economy.

Despite the violence and turmoil that has continued to plague Iraq since the 2011 departure of the combat units of the United States and its coalition partners, China has bet heavily on a steady supply of oil from the post-Saddam regime. In the desert near the Iran-Iraq border, China has built its own airport to fly workers in to Iraq’s oil fields. Chinese officials expect to have direct flights going from Beijing and Shanghai to Baghdad in the near future.

The Chinese have also done their homework on the language and culture of the nation where they have invested so much in the future of their energy supplies. “Chinese executives impress their hosts not just by speaking Arabic, but Iraqi-accented Arabic,” the *Times* reports. And they don’t interfere in local or national affairs. “They are practical people,” an Iraqi oil official said. “They don’t have anything to do with politics or religion. They just work and eat and sleep.”

A [boom](#) in American domestic oil and gas production in newly discovered shale fields, meanwhile, has reduced U.S. dependence on Middle East oil. Perhaps it will reduce as well the political temptation to conjure up reasons to go to war in that part of the world. The American people might be more than a little reluctant to back another war to make the Middle East safe for Chinese oil supplies.



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