



This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit [www.nytreprints.com](http://www.nytreprints.com) for samples and additional information. [Order a reprint of this article now.](#)

September 6, 2009

## China Oil Deal Is New Source of Strife Among Iraqis

By [TIMOTHY WILLIAMS](#)

WASIT PROVINCE, [Iraq](#) — When China's biggest oil company signed the first post-invasion oil field development contract in Iraq last year, the deal was seen as a test of Iraq's willingness to open an industry that had previously prohibited foreign investment.

One year later, the [China National Petroleum Corporation](#) has struck oil at the Ahdab field in Wasit Province, southeast of Baghdad. And while the relationship between the company and the Iraqi government has gone smoothly, the presence of a foreign company with vast resources drilling for oil in this poor, rural corner of Iraq has awakened a wave of discontent here.

"We get nothing directly from the Chinese company, and we are suffering," said Mahmoud Abdul Ridha, head of the Wasit provincial council, whose budget has been cut in half by Baghdad in the past year because of lower international oil prices. "There is an unemployment crisis. We need roads, schools, water treatment plants. We need everything."

The result has been a local-rights movement — extraordinary in a country where political dissent has historically carried the risk of death — that in the past few months has begun demanding that at least \$1 of each barrel of oil produced at the Ahdab field be used to improve access to clean water, health services, schools, paved roads and other needs in the province, which is among Iraq's poorest.

The ripples are traveling far beyond this province, too. Frustrations have spilled over into sabotage and intimidation of Chinese oil workers, turning the Ahdab field into a cautionary tale for international oil companies seeking to join the rush to profit from Iraq's vast untapped oil reserves.

Because Iraq is so heavily dependent on oil revenue, any international hesitation by oil companies to invest could mean years of continued economic and political instability in the country. All oil revenues go directly to the government in Baghdad and are the foundation of the national budget.

The Iraqi government has so far rejected the locals' demands, but people here are clearly beginning to feel that something new is possible.

"No one would have dared to ask for such a thing during Saddam's regime; if he did, he would definitely be executed," said Ghassan Ali, a 43-year-old farmer who lives near the oil field. "But now we are a democratic country, so we have the right to ask for our rights like any other province in Iraq."

The basis of the complaints here is that, aside from the hiring of a few hundred residents as laborers and security guards at salaries of less than \$600 a month, the Ahdab field — a roughly \$3 billion development

project — has provided no local benefit.

Some local farmers began reacting by destroying the company's generators and severing electrical hoses, angry because they believed that their fields were being unfairly handed over to the company. Other residents began expressing outrage that very few jobs were being opened to them.

China National Petroleum says it needs relatively few workers because it is still in the exploration phase of its 23-year project at the Ahdab field. Oil production is not scheduled to begin for two and a half years.

Now, the field's 100 or so Chinese workers rarely leave their spartan compound for fear of being kidnapped, the company said, even though the Iraqi government recently deployed extra security to the area.

But the Iraqis' anger has been increasingly channeled into an above-board labor movement, expressing concerns about workers' rights, local government authority, pollution, transparent hiring practices and public accountability, among other issues.

Ghassan Atiyah, executive director of the nonprofit Iraq Foundation for Development and Democracy, said the nascent activism in Wasit Province was part of a broader shift in a society that had until recently been resistant to such demands because of years of dictatorship, economic sanctions, war and a culture that retains a strong tribal influence.

"There is a social transformation going on in Iraq that will take years to sort out," Mr. Atiyah said, "but what we are seeing is a new social order emerging as rural people challenge the urban people who have always looked down on them."

The Iraqi government and the Chinese oil company have played down the tensions in Wasit Province, saying that aside from a few hiccups, things are going according to plan.

Still, the unrest also comes at a critical time for Iraq's oil industry, which has struggled to reach prewar production levels and is preparing to auction off 10 oil fields to international companies this fall after a first round of bidding for a group of other oil and gas fields this summer led to only one signed contract.

The Ahdab field contains about one billion barrels of oil, modest by Iraq's standards. In comparison, the Rumaila field in southern Iraq, for which the Chinese company and British Petroleum signed a development deal in June, is Iraq's largest field with an estimated 17.8 billion barrels.

China National Petroleum said it [renegotiated a Saddam Hussein-era contract at Ahdab last August](#) knowing that it would take away profits of barely 1 percent.

"We wanted to get a foot in the door," said Han Ruimin, vice president of Al Waha Petroleum Company, the name of the joint venture at Ahdab between the Chinese company and ZhenHua Oil, also based in China. "Our strategy worked, because we just got another contract," he said, referring to the Rumaila field.

The Ahdab field is surrounded by tenant farmers living in cramped, mud houses without electricity or running water. They had hoped the arrival of the oil company would end their poverty.

Instead, China National Petroleum has hired only about 450 workers, many of whom lived outside the

province, according to residents and local officials.

“The problem is that people were expecting thousands of jobs right away, and then they realized that the company depended more on machines than on people,” said Ali Hussein, head of the local district council.

Mr. Hussein said the extent of local suffering had emboldened him to begin discussing the situation with the Chinese company in unvarnished language. But troubles have persisted.

Earlier this year, the area’s farmers complained that the oil company’s electrical and seismic equipment — used to help determine where wells should be drilled — was damaging fragile homes and crops.

About the same time, electrical lines, many of which were laid across farmland, were severed or stolen, as were expensive generators and other equipment. This spring, a rocket was fired, though it fell harmlessly. Mr. Han said he believed that it had been aimed at a nearby American military base, though local farmers said they suspected that the Ahdab field was the target.

More trouble could be on the way next spring when 1,000 Chinese workers arrive to build a central processing plant.

Mr. Han said hiring Iraqis to do the job was out of the question. “We don’t have enough time to train local people to do that work,” he said.

In the meantime, the field’s neighbors say they worry that they are about to be swallowed by the pursuit of the oil beneath their crops.

Ghazi Hwaidi, 39, whose wheat field now shares space with towering seismic oil prospecting equipment, said he had sought compensation for his damaged crops — and just in case, had also applied for a job with the oil company. He has not received word about either effort.

“My farm is now more like an oil field,” he said, “and I have gotten nothing for it.”

*Reporting was contributed by Abeer Mohammed and Mohammed Hussein from Baghdad, and Riyadh Mohammed and an Iraqi employee of The New York Times from Wasit Province.*

[Copyright 2009 The New York Times Company](#)

[Privacy Policy](#) | [Terms of Service](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)