

Profits from stolen oil help sustain insurgency in Iraq

By Richard A. Opperl Jr.
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BAYJI, Iraq: The Bayji refinery may be the most important industrial site in the Sunni Arab-dominated regions of Iraq. On a good day, 500 tanker trucks will leave the refinery filled with fuel with a street value of \$10 million.

The sea of oil under Iraq is supposed to rebuild the nation and then make it prosper. But at least one-third, and possibly much more, of the fuel from Iraq's largest refinery here is diverted to the black market, according to U.S. military officials. Tankers are hijacked, drivers are bribed, papers are forged and meters are manipulated - and some of the earnings go to insurgents who are still killing more than 100 Iraqis a week.

"It's the money pit of the insurgency," said Captain Joe Da Silva, who commands several platoons stationed at the refinery.

Five years after the war in Iraq began, the insurgency remains a lethal force. The steady flow of cash is one reason, even as the U.S. troop buildup and the recruitment of former insurgents to American-backed militias have helped push the number of attacks down to 2005 levels.

In fact, money, far more than jihadist ideology, is a crucial motivation for a majority of Sunni insurgents, according to U.S. officers in some Sunni provinces and other military officials in Iraq who have reviewed detainee surveys and other intelligence on the insurgency.

Although many U.S. military officials and politicians - and even the Iraqi public - use the term Al Qaeda as a synonym for the insurgency, some American and Iraqi experts say they believe that the number of committed religious ideologues remains small. They say that insurgent groups raise and spend money autonomously for the most part, with little centralized coordination or direction.

Money from swindles in Iraq and from foreign patrons in places like Saudi Arabia allows a disparate, decentralized collection of insurgent cells to hire recruits and pay for large-scale attacks.

But the focus on money is the insurgency's weakness as well as its strength, and one reason why loyalties can be traded. For now, at least 91,000 Iraqis, many of them former enemies of the U.S. forces, receive a regular American-paid salary for serving in neighborhood militias.

"It has a great deal more to do with the economy than with ideology," said one senior U.S. military official, who said that studies of detainees in American custody found that about three-quarters were not committed to the jihadist ideology. "The vast majority have nothing to do with the caliphate and the central ideology of Al Qaeda."

A military official familiar with studies on the insurgency estimated that half of the insurgency's money came from outside Iraq, mainly from people in Saudi Arabia, a flow that does not appear to have decreased in recent years.

Before the invasion of Iraq, eight gasoline stations dotted the region around Sharqat, north of the refinery at the northern edge of Saddam Hussein's home province, Salahuddin. Now there are more than 50.

Economic growth? Not exactly. It is one of the more audacious schemes that feed money to the black marketeers. Most tanker trucks intended for Sharqat never make it there. "It's all a bluff," Taha Mahmoud Ahmed, the official who oversees fuel distribution in Salahuddin, said in an interview. "The fuel is not going to the stations. It's going to the black market."

Gas stations are often built just to gain the rights to fuel shipments, at subsidized government rates, that can be resold onto the black market at higher prices. New stations cost more than \$100,000 to build, but black market profits from six or seven trucks can often cover that cost, and everything after that is profit, said soldiers who have studied the scheme.

In Bayji, dozens of active insurgent groups feed off corruption from the refinery, said Lieutenant Ali Shakir, the commander of the paramilitary Iraqi police unit here. Shakir said the more hard-core insurgent groups had a lot of money to pay other fighters. He said they thrived partly because obvious thievery was never prosecuted.

U.S. and Iraqi officials struggle to say exactly how much the insurgency reaps from its domestic financing activities. In the past, Iraqi officials have estimated that insurgents receive as much as half of all profits attributable to oil smuggling. And before the troop buildup began a year ago, a U.S. report estimated that insurgents generated as much as \$200 million a year.

Nor is the skimming limited to the insurgency; illicit earnings from the Bayji refinery also flow to criminal gangs, tribes, the Iraqi police, local council members and provincial officials who also smuggle fuel.

Barham Salih, the Iraqi deputy prime minister, said he believed that the pool of money available to insurgents across Iraq had fallen in the past year, but he declined to provide an estimate himself. He said Iraqi security analysts estimated that Al Qaeda in Mesopotamia received \$50,000 to \$100,000 per day from swindles related to the Bayji refinery.

Those amounts are significant, given the hard realities of Iraq, especially in Sunni areas where unemployment and discontent with the Shiite-run government run high.

The insurgents appear to understand how valuable the Bayji refinery is to their operations. "They have not attacked the oil refinery, because they don't want to damage their cash cow," said First Lieutenant Trent Teague, who commands the 3rd Platoon in Da Silva's unit, the headquarters company of the 1st Battalion, 327th Infantry.

Instead, when the insurgents want to send an angry message to someone at the refinery, they attack neighborhoods where oil workers live. Two suicide bombings in these Bayji neighborhoods in December killed at least 30 people and wounded more than 100.

Some U.S. officials and politicians maintain that Sunni insurgents have deep ties with Qaeda networks loyal to Osama bin Laden in other countries. Al Qaeda in Mesopotamia, whose members are mainly Iraqi but whose leadership has been described by U.S. commanders as largely foreign, remains a well-financed and virulent force that carries out large-scale attacks.

But there are officers in the U.S. military who openly question how much a role jihadism plays in the minds of most people who carry out attacks. As the U.S. occupation has worn on and unemployment has remained high, these officers say the overwhelming motivation of insurgents is the need to earn a paycheck.

Nor do U.S. officers say they believe that insurgent attacks are centrally coordinated. "As far as networked coordination of attacks, we are not seeing that," said a military official familiar with studies on the insurgency.

Opposition to the occupation and fear of the Shiite- and Kurdish-dominated government and security forces "clearly are important factors in the insurgency," the official said. "But they are being rivaled by the economic factor, the deprivation that exists."

Major Kelly Kendrick, operations officer for the 1st Brigade Combat Team of the 101st Airborne Division in Salahuddin, estimates that there are no more than 50 hard-core Qaeda fighters in Salahuddin, a province of 1.3 million people that includes Bayji and the Sunni cities of Samarra and Tikrit.

He said most fighters were seduced not by dreams of a life following bin Laden, but by a simpler pitch: "Here's \$100; go plant this IED."

"Ninety percent of the guys out here who do attacks are just people who want to feed their families," Kendrick said.

Reporting was contributed by Michael R. Gordon, Solomon Moore and Anwar J. Ali from Baghdad, and Iraqi employees of The New York Times from Salahuddin, Falluja, and Diyala.

McCain visits Baghdad

Senator John McCain arrived in Baghdad on Sunday for an unexpected visit with Iraqi and U.S. diplomatic and military officials, The Associated Press reported a U.S. government official saying.

The details of McCain's visit were kept secret for security reasons. "Senator McCain is in Iraq and will be meeting with Iraqi and U.S. officials," said Mirembe Nantongo, spokesperson for the U.S. Embassy in Baghdad.

Separately, The Associated Press reported that a Najaf oil refinery expanded its capacity over the weekend by about 10,000 barrels per day, or roughly half of what it had been producing.

Hussein al-Shahristani, the Iraqi oil minister, pledged further expansions across the country.