

‘Shock and Awe’ Therapy

How the United States is attempting to control Iraq’s oil and pry open its economy

BY HERBERT DOCENA

“One of the most audacious hostile takeovers ever” – Wall Street Journal¹

“The best time to invest is when there’s still blood on the ground.” – a delegate to Rebuilding Iraq 2 convention²

“We must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labor that is available from the natives of the colonies.”

- Cecil Rhodes³

“Iraq will be sold to others and will be begging the foreigners as we begged Saddam before” – an Iraqi businessman⁴

“The United has the biggest slice, but we’re confident there’s enough of the pie to go around for everyone.” – participant to an Iraq investor’ conference⁵

1) Invade.

This was to be the first step in what has since become the most ambitious, most radical, and most violent project to reconstruct an economy along neo-liberal lines in recent history. Since the invasion of Iraq in 2003, the United States has attempted to open up almost all sectors of Iraq’s economy to foreign investors; pry it open to international trade; launch a massive privatization program to sell off over 150 state-owned enterprises; liberalize its financial market and re-orient the role of its Central Bank; impose a flat tax and remove food and oil subsidies; adopt a patents and intellectual property rights regime beneficial to corporations; and lay the ground for the eventual privatization of Iraq’s oil.

While similar efforts to comprehensively restructure economies have often begun from inside the finance or planning ministries, legislative halls, universities, or five-star hotels in other countries, in Iraq, the first phase in a multi-stage and all-encompassing project

began in March 2003 from the skies, with the dropping of bombs, and in the field, with the rolling in of tanks. “Shock therapy” had to be presaged by “shock and awe.”

Even before the bombs fell down like rain on Baghdad, however, the blueprint for Iraq’s economy was ready and waiting to be implemented— an indication that while the invasion may have been part of a larger geo-strategic game-plan to dominate a vital region, the goal to implement neo-liberal economic policies in Iraq, including securing access to its oil. By February 2003, the US had finished drafting what the *Wall Street Journal* called “sweeping plans to remake Iraq’s economy in the US’s image”⁶ Entitled “Moving the Iraqi Economy from Recovery to Growth,” the document laid down what was to be done with various aspects of Iraq’s economy once the occupation forces had ensconced themselves in Baghdad. Michael Bleyzer, former executive of Enron summed up the goal when he briefed Defense Secretary Donald Rumsfeld and other officials of the Bush administration: “We want to set up a business environment where global companies like Coca-Cola and McDonalds could come in and create a diversified economy not dependent on oil...”⁷

The plan called for nothing less than Iraq’s comprehensive transformation from a centralized command economy with very strong state intervention into a market economy in which the state plays virtually no other role but to create, maintain, and defend the openness of this market.⁸ Just as the US bombed out and physically obliterated almost all of Iraq’s ministries, the plan entails the repeal of almost all of its current laws and the dismantling of its existing institutions, except those that already fit in with the US’ design.⁹ From their rubble is to be erected a new state

¹ Chip Cummins, Susan Warren and Bhushan Bahree, “New Drill: Inside Giant Oil Industry, Maze Of Management Tensions,” Wall Street Journal, April 30, 2003

² quoted in Naomi Klein, “Risky Business,” The Nation, January 5, 2004

³ quoted in The Ecologist, Vol 29 No 3, May/June 1999

⁴ quoted in Suleiman al-Khalidi, “Iraq’s Businessmen Feel Left Out in the Cold,” Reuters, October 22, 2003

⁵ Dale Fuchs, “Companies Everywhere Seek Role in Iraq,” New York Times, October 24, 2003

⁶ Neil King Jr. “Bush Officials Devise a Broad Plan for a Free-Market Economy in Iraq,” Wall Street Journal, May 1, 2003

⁷ Ed Vulliamy and Faisal Islam, “And Now for the Really Big Guns,” The Observer, June 29, 2003

⁸ For more on the project to overhaul Iraq economically, politically, and ideologically, see *Silent War: The US’ Economic and Ideological Occupation of Iraq* (Bangkok: Focus on the Global South, 2005) [can be downloaded from http://www.focusweb.org/pdf/Iraq_Dossier.pdf]

⁹ For example, the occupation authorities preserved the Saddam-era law banning the formation of independent trade unions. (Alan Maass, “Delegation of US unionists report back: Rise of Iraq’s new labor movement,” Socialist Workers Online, October 31, 2003)

from the ground up – one empowered to usher in foreign investments and facilitate the unfettered operations of multinational corporations but disempowered to provide services to its citizens or promote development and social justice.

Take Advantage of the Chaos

Awarded the task to remake Iraq's economy and prepare the ground for the likes of Coca-Cola and McDonald was Bearing Point, a private business consultancy group. Its contract with USAID, a meticulously methodical document complete with timetables, delegation of responsibilities, and assignment of tasks for specific Iraqi government posts, is essentially the masterplan for the US economic design on Iraq – the “smoking gun” proving the US' intent to reconstruct Iraq's economy along neo-liberal lines. The language of the contract is revealing: At one point, it says, “The new government *will* seek to open up its trade and investment linkages and to put into place the institutions promoting democracy, free enterprise and reliance on a market-driven private sector as the engine of economic recovery and growth” [italics mine] – as though this government will have no other choice.

The painstakingly systematic plan contrasts with the apparent lack of any planning for post-war humanitarian, rehabilitation, and relief operations.¹⁰ This hinted at what the so-called “reconstruction process” was not going to be about. As Defense Secretary Donald Rumsfeld said, “I don't believe it's our job to reconstruct that country after 30 years of centralized Stalinist-like economic controls in that country.”¹¹

Having settled at Saddam's Republican Palace complex, occupation authorities quickly moved to implement the Bearing Point workplan. Little more than one month after the invasion was declared “mission accomplished” by Bush in May 2003, then Coalition Provisional Authority (CPA) chief L. Paul Bremer II, unveiled the US' economic agenda on Iraq at a World Economic Forum meeting in Jordan. “Our strategic goal in the months ahead is to set in motion policies which will have the effect of reallocating people and resources from state enterprises to the more productive private firms,” he said.¹² That same month, the American adviser to the ministry of industry and minerals announced the “fast-track” privatization of 48

¹⁰ Rowan Scarborough, “US Rushed Post-Saddam Planning,” Washington Post, September 3, 2003

¹¹ “Rumsfeld: Rebuilding up to Iraqis,” Seattle Times, September 11, 2003

¹² Address to World Economic Forum in Jordan, June 22, 2003, <http://usinfo.state.gov/regional/nea/summit/text2003/0623bremer.htm>

CHRONOLOGY OF EVENTS

19 March 2003: US-led forces invade Iraq

1 May 2003: Bush declares end of “major combat operations”

13 July 2003: first meeting of US-installed Iraq Governing Council

18 July 2003: contract for transforming Iraq's economy is awarded to Bearing Point

September 2003: occupation authority enacts Order 39, opening up Iraq's economy to foreign investors

15 November 2003: US agrees to accelerate political transition for transferring “sovereignty” to Iraq

28 May 2004: Iyad Allawi is chosen as prime minister of Iraq's interim government

28 June 2004: US hands over “sovereignty” to interim government

18 August 2004: conference for choosing members of Iraq's Interim National Council

30 January 2005: national elections for choosing members of Iraq's National Assembly

state-owned enterprises (SOEs).¹³ By the time the US handed-over “sovereignty” in a secret ceremony in June 2004, key elements of its economic designs on Iraq had been put in place. The CPA had passed an array of laws and that were to be the foundations and pillars of Iraq's neo-liberal regime.¹⁴

Among the most groundbreaking was **Order 39** which was described as fulfilling the “wish list of international investors” by *The Economist* and as a “free market manifesto” by *Reuters*.¹⁵ The Order allows foreign investors to buy and take over Iraq's SOEs, to enter and leave Iraq as they please, to have the same rights as any Iraqi in selling to the domestic market, and to repatriate 100% of their profits and other assets anytime. Seen another way, the Order effectively deprives the Iraqis sovereignty over their economy.¹⁶ By moving towards the privatization of Iraq's SOEs, the Order effectively allows the transfer of the Iraqi people's assets to foreign and/or private owners whose priority is to maximize profits rather than to provide services or products to Iraqis. By removing restrictions on investments, the Order denies the Iraqi state any power to regulate and control investments entering its territory. By giving foreign investors “national treatment,” it deprives Iraqis the option to support local business or pursue industrialization policies in the

¹³ Stephen J. Glain, “‘Fast track’ plan to sell state-owned firms in Iraq is put on hold” Boston Globe, September 18, 2003

¹⁴ Antonia Juhasz, “Ambitions of Empire: the Bush Administration Economic Plan for Iraq (and Beyond),” *LeftTurn Magazine* No 12, February/March 2004

¹⁵ Reuters, September 21, 2003

¹⁶ Marylou Malig, “War: Trade by Other Means” in *Silent War: The US' Economic and Ideological Occupation of Iraq* (Bangkok: Focus on the Global South, 2005)

Bremer's Orders

Sample of Laws Enacted by Coalition Provisional Authority in Iraq

Order	Implications for Iraqis
39	
“national treatment” gives foreign investors same rights as Iraqis in selling to domestic market and in exploiting resources	Iraqi government can't favor local businesses or pursue industrialization policies
removes restrictions on investments and operations of multinational corporations	Iraqi government denied power to regulate and control investments
allows for 100% repatriation of profits	takes away Iraqi government's prerogative to compel foreign investors to re-invest profits in domestic economy
12	
suspended tariffs, duties and other taxes on imports	gives Iraqi government less control over trade policy
40	
allow foreign banks to operate in Iraq and to own 50% of domestic banks	gives foreign banks more control over Iraqis' access to credit and more control over monetary policy
49	
imposes flat tax on Iraq	prevents Iraqi government from imposing higher taxes on the rich
81	
introduces system of monopoly rights over seeds, facilitates entry of multinational agri-corporations	denies Iraqis 'food sovereignty'

Source: various Orders enacted by Coalition Provisional Authority (www.iraqcoalition.org)

hope of attaining a degree of self-sufficiency and economic sovereignty. The clause allowing full and unimpeded repatriation takes away the Iraqi state's prerogative to compel foreign investors to re-invest their profits in the domestic economy.

While oil was exempted from this Order, the Bearing Point contract specifically states that it “will implement USAID-approved recommendations to begin supporting the privatization, especially those in the oil and supporting industries.”¹⁷ It was told to go ahead with preparing legislation and implementing regulations to establish an “improved fiscal regime for petroleum and mining sectors and for transit pipelines.”¹⁸ Earlier, Bush had signed an Executive Order giving blanket and indefinite immunity to US oil corporations involved in any oil-related activity in Iraq.¹⁹

Order 12, or the “Trade Liberalization Policy,” suspended tariffs, duties, and other taxes on goods entering Iraq's market, thereby depriving the Iraqis of revenue control over trade flows and an independent trade policy. **Order 40** allowed a few foreign banks to enter the Iraqi market and take over up to 50% of domestic banks. Combined with the other Orders, this gives foreign bankers power over Iraqis' access to

credit and loans and gives the government less control over monetary policy.

Order 49 reduced the tax-rate on corporations and individuals from 40% to a flat rate of 15%. Doing away with the principle of progressive taxation, the idea that those who have more should contribute more, it also means that an Iraqi who earns \$100 a month will have to pay the same percentage of tax as a corporation that earns \$1 billion a month.

Order 81, which lays the ground for Iraq's intellectual property rights regime, introduces a system of monopoly rights over seeds.²⁰ This facilitates the entry of multinational agricultural corporations and undermines Iraqis' “food sovereignty,” or their right to define their own food and agriculture policies instead of having them subordinated to international market forces.

Observers were quick to point out the similarities between elements of the plan and the structural adjustment policies imposed by the World Bank in scores of developing countries around the world since the 1980s or the “shock therapy” administered to Russia in the 90s. Only this time, it goes further. The *New York Times* economic columnist Jeff Madrick noted that, “By almost any mainstream economist's standard, the plan... is extreme – in fact, stunning.”²¹ Former

¹⁷ USAID contract with Bearing Point, 84

¹⁸ USAID contract with Bearing Point, 51

¹⁹ Steve Kretzman and Jim Vallette, “Operation Oily Immunity,” CommonDreams.org, July 23, 2003; Andre Verloy, “Oil Immunity?: Government Denies Charges that Bushed Helped Oil Companies in Iraq,” Center for Public Integrity, www.publicintegrity.org, October 30, 2003

²⁰ Focus on the Global South and GRAIN, “A Declaration of War against Farmers,” in *Silent War: The US' Economic and Ideological Occupation of Iraq* (Bangkok: Focus on the Global South, 2005)

²¹ Jeff Madrick, “An Extreme Plan for Iraq,” *New York Times*, October 2, 2003

World Bank chief economist and Nobel prize winner Joseph Stiglitz observed that Iraq's own was "an even more radical form of shock therapy than pursued in the former Soviet world."²² Naomi Klein was more descriptive, saying, "Iraq's "reconstruction" makes those wrenching economic reforms look like spa treatments."²³ If all goes well, *The Economist* says Iraq will be a "capitalist's dream."²⁴

The extremism of the plan – and US' officials determination to pursue it – was not just ideological; it was driven by all that was at stake. With the US expected to depend on other countries for 70% of its oil needs by 2025 – and with both ally countries and rivals as, if not, more dependent on oil imports,²⁵ securing access to oil was both a matter of survival and a source of great power. Old surveys indicate that Iraq holds around 100-130 billion barrels of oil, or about 11% of the world total, making it second only to world's largest reserve, Saudi Arabia.²⁶ But there could be more. With only 17 out of 80 oil fields tapped,²⁷ there's widespread belief among industry insiders that the wells run deeper and that reserves might even exceed 300 billion barrels, or about a quarter of global reserves.²⁸ In a speech at the London Institute of Petroleum in 1999, US Vice President Richard Cheney said, "While many regions of the world offer great oil opportunities, the Middle East, with two-thirds of the world's oil and the lowest cost is still where the prize ultimately lies."²⁹

A clear appreciation of this fact was evident during the invasion. British Petroleum engineers were embedded with the troops during the invasion and traveled with them in order to locate and secure the oil wells.³⁰ While virtually all other ministries were bombed down, the oil ministry complex was spared.

²² Joseph Stiglitz, "Iraq's Next Shock will be Shock Therapy," Znet, www.zmag.org, March 17, 2004

²³ Naomi Klein, "Downsizing in Disguise," *The Nation*, June 23, 2003

²⁴ "Let's All Go to the Yard Sale: Iraq's Economic Liberalization," *The Economist*, September 27, 2003

²⁵ US Department of Energy, Annual Energy Outlook 2004, (Washington DC, DOE/EIA: 2004)

²⁶ International Monetary Fund Country Report No.4/325, September 2004

²⁷ According to the US government's Energy Information Administration, www.eia.doe.gov; see also David R. Becker, "Seeking Iraq's Oil Prize: Government May Allow Foreign Firms to Invest," *San Francisco Chronicle*, January 26 2005; Iain Boal, T.J. Clark, Joseph Matthews and Michael Watts, "Blood for Oil?," *London Review of Books*, 21 April 2005

²⁸ Iain Boal, T.J. Clark, Joseph Matthews and Michael Watts, "Blood for Oil?," *London Review of Books*, 21 April 2005

²⁹ quoted in Gregg Muttitt, "Under the Surface: Iraqi Oil and Tony Blair's Absurd Conspiracy Theory," *Red Pepper*, January 2005

³⁰ Pratap Chatterjee, "To the Victors Go the Spoils of War," *Inter Press Service*, May 22, 2003

Subsequently, as much as 20% of the US' 18-billion reconstruction budget for Iraq was to go to oil infrastructure, including exploration and development of new oil and gas fields.³¹ A Pentagon policy document had, as early as 1999, argued that a war for Iraq's oil should be considered a legitimate military option.³² Two months before the invasion, the Pentagon officials said they "have crafted strategies that will allow us to secure and protect those fields as rapidly as possible in order to preserve those prior to destruction."³³ This mental exercise in taking over Iraq's petrol reserves had a precedent: As early as the 1970s, former State Secretary Henry Kissinger had put forward plans for invading Middle Eastern oil fields in an essay that entitled "Seizing Arab Oil."³⁴

Dubbed "today's California gold rush" by the US official tasked to privatize its SOEs,³⁵ Iraq was giving investors a rush not just because of oil per se but also because of its potential to create domestic purchasing power. In theory, as the proceeds from oil trickle down to the Iraqis, demand can be expected to grow and Iraq's domestic market can be a much-needed outlet for products. For an investor, while the windfall to be reaped in the post-conflict reconstruction spending bonanza is huge, the long-term prospects in a privatized, liberalized, and deregulated Iraq looks even more promising. As US Commerce Secretary Don Evans saw it, "Their [Iraqis] collective hopes and aspirations form a valuable market for goods and services of all types."³⁶

Disregard International Law, Placate the Resistance

For all that was at stake, two obstacles stood in the way. All of the laws the occupation authorities passed were in clear violation of international law.³⁷ Article 43

³¹ Stephen J. Glain, "Projected Iraq Oil Costs Up Sharply," *Boston Globe*, October 30, 2003; Iain Boal, T.J. Clark, Joseph Matthews and Michael Watts, "Blood for Oil?," *London Review of Books*, 21 April 2005

³² Ritt Goldstein, "'Oil War' Questions Surround Cheney Energy Caucus" *Inter Press Service*, September 11, 2003

³³ quoted in Michael Klare, "Bush-Cheney Energy Strategy: Procuring the Rest of the World's Oil," in *Petropolitics*, Institute for Policy Studies and Interhemispheric Resource Center, undated

³⁴ cited in Linda McQuaig, "History will Show US Lusted After Oil," *Toronto Star*, December 26, 2004

³⁵ CPA Press Release, "Commerce Secretary Evans Urges US Business to Deal with Iraq," February 12, 2004

³⁶ Commerce Secretary Don Evans' speech to the Iraq Business Council, February 11, 2003

³⁷ Human Rights Watch, "The War in Iraq and International Humanitarian Law," May 16, 2003; Thomas Catan, "Iraq Business Deals may be Invalid, Law Experts Warn," *Financial Times*, October 28, 2003; Aaron Mate, "Pillage is Forbidden: Why the Privatisation of Iraq is Illegal," *The Guardian*, November 7, 2003;

of the Hague Regulations of 1907 states that an occupying power “must re-establish and insure as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country.” In other words, the US could not overturn existing laws and pass new ones; only a sovereign government could. Article 55 of 1907 Hague Regulations says: “the occupying State shall be regarded only as administrator and usufructuary of public buildings, real estate, forests, and agricultural estates belonging to the hostile State, and situated in the occupied country. It must safeguard the capital of these properties, and administer them in accordance with the rules of usufruct.” In other words, the US could not sell off Iraq’s state-owned companies; only a sovereign government could.

But there was a bigger problem: resistance to the occupation in general and opposition to the laws themselves in particular. According to a survey conducted by the Coalition Provisional Authority itself in May 2004, up to 86% of Iraqis wanted the coalition forces to leave either immediately or once an elected government assumes power, as opposed to only 6% who wanted them to stay.³⁸ The Iraqi Governing Council, the 25-member proto-governing entity formed by the US in July 2003 and which it sought to project as Iraq’s temporary government, was widely seen as US stooges, with a Gallup poll survey revealing that up to three in every four Iraqis believed that its actions were “mostly determined by the CPA” and only 16% thought it was independent.³⁹ In addition, according to a survey conducted by the Iraq Center for Research and Studies, 68% of respondents either strongly supported or somewhat supported Moqtada Sadr, the leader of the Sadrist movement, who has consistently called for the withdrawal of the US forces.⁴⁰

Even if the policies violated international law but had the support of the Iraqis, the US would have been able to rest easy. The problem was that the changes the US was introducing to Iraq did not have the consent of the Iraqis and were widely unpopular, even among those who supported the invasion. While the US Treasury Department conferred with Citigroup, JP Morgan

Chase, and Bank of America over some details of the privatization process, at least one IGC ministry claimed he was not even informed of the proposal.⁴¹ As Isam al-Khafaji, who worked with the US in the early stages of the occupation but later left, attests, “Many radically new sweeping changes, for example the law on foreign investment, Iraqis were not allowed to review it. They were not even given the chance to look at it before it was passed.”⁴² What was troubling the occupation officials was that the Iraqis were not just waiting for the courts to decide on the policies’ legality; they were throwing bombs at them.⁴³

All these threatened to turn the “capitalist’s dream” into billion-dollar nightmares for those whose investments could be seized and expropriated by a future Iraqi government sensitive to popular opinion. With few buyers willing to take the risk, the illegality of the US-imposed economic restructuring and the resistance it spawned threatened the viability of the privatization program in the short term and the larger economic agenda in the long-term. What the US needed to do was summed up by Sir Philip Watts, chair of Royal Dutch Shell, when asked what the conditions need to be met before oil companies could move in. “There has to be proper security, legitimate authority and a legitimate process...by which we will be able to negotiate agreements that would be longstanding for decades,” he said. “When the legitimate authority is there on behalf of Iraq, we will know and recognize it.”⁴⁴

Undergo a ‘Political Transition’ Process

The US’ solution was straightforward: If only a sovereign government could legally do the things it was trying to do in Iraq, then the US would have to create this “sovereign” government itself – not just any kind of government but one structurally conducive to the US’ preferred economic policies; run by Iraqis willing to implement and defend these policies; and insulated from popular pressures. This seemed to have been the strategy from the beginning. Bearing Point’s contract, for example, takes it for granted that a cooperative government would be put in place. In May 2003, Defense Secretary Rumsfeld announced that the Bush administration would be installing a regime headed by

Associated Press, “Experts: ‘Shock-Restructuring of Iraq is on Shaky Ground,’” November 17, 2003; Daphne Eviatar, “Free Market Iraq? Not so Fast,” New York Times, January 10, 2004

³⁸ May 14-23, 2004 Coalition Provisional Authority survey, cited in Michael E. O’Hanlon and Adriana Lins de Albuquerque, “Iraq Index: Tracking Variables of Reconstruction & Security in Post-Saddam Iraq,” Brookings Institution, www.brookings.edu/iraqindex, June 16, 2005

³⁹ Richard Burkholder, “Ousting Saddam Hussein ‘Was Worth Hardships Endured Since Invasion, Say Citizens of Baghdad,” Gallup Poll Organization, September 24, 2003

⁴⁰ Roula Khalaf, “Iraq’s rebel cleric gains surge in popularity,” Financial Times, May 19, 2004

⁴¹ Ed Vulliamy and Faisal Islam, “And Now for the Really Big Guns,” The Observer, June 29, 2003; Seb Walker, “Corporate Takeover,” Baghdad Bulletin, August 31, 2003

⁴² Emad Mekay, “US on Track for Market Economy,” Inter Press Service, February 11, 2004

⁴³ Naomi Klein, “Baghdad Year Zero,” Harper’s Magazine, September 2004

⁴⁴ Carola Hoyos, “Oil Groups Snub US on Deals,” Financial Times, July 24, 2003

personnel who “favor market systems” and “encourage moves to privatize state-owned enterprises.”⁴⁵

If the decisions had been entirely up to the occupation authorities, they would have preferred to go slow and make sure the conditions for managing the political process were firmly in place before letting go. While the Bush administration had conceded that at some point it would have to hold elections, it sought to postpone holding them until the time was right and the risks could be minimized. At one point, US military commanders even broke up local elections initiated and organized by Iraqis across Iraq right after Saddam’s government fell.⁴⁶ The US also adamantly resisted proposals to have one-person-one-vote general elections as soon as possible, saying it was not logistically possible despite claims to the contrary by the Planning Ministry’s Census Bureau and even by some British officials.⁴⁷

Instead of elections, the occupation authorities insisted on forming a transitional Iraqi government through a complex system of caucuses that would have given them more say in the outcome. Participants of the caucuses would be chosen and vetted by the military, as assisted by Research Triangle Institute (RTI), a USAID contractor hired to “identify the most appropriate ‘legitimate’ and functional leaders” [quotes around “legitimate” appear in original text].⁴⁸ As Bremer said, “I’m not opposed to it [elections] but I want to do it in a way that takes care of our concerns... Elections that are held too early can be too destructive...In a situation like this, if you start holding elections, the people who are rejectionists tend to win.”⁴⁹ By “rejectionists,” Bremer was obviously referring to Iraqis who opposed the presence of US military forces in the country, objected to its political and economic agenda, and refused to be part of US-installed political institutions. A senior official of the CPA was more direct when asked why elections couldn’t be held soonest: “There’s not enough time for the moderates to organize.”⁵⁰

When tens of thousands of people marched on the streets in early 2004 to demand direct elections or else face more violent resistance, the US was forced to re-

⁴⁵ Donald Rumsfeld, “Core Principles for a Free Iraq,” Wall Street Journal, May 27, 2003

⁴⁶ William Booth and Rajiv Chandrasekaran, “Occupation Forces Halt Elections Throughout Iraq,” Washington Post, June 28, 2003

⁴⁷ Joel Brinkley, “US Rejects Iraqi Plan to Hold Census by Summer,” New York Times, December 4, 2003; “UK officials say Iraq elections by June viable,” Financial Times, January 20, 2004

⁴⁸ Silent Battalions of Democracy

⁴⁹ William Booth and Rajiv Chandrasekaran, “Occupation Forces Halt Elections Throughout Iraq,” Washington Post, June 28, 2003

⁵⁰ Edward Wong, “US Tries to Give Moderates an Edge in Iraqi Elections,” New York Times, January 18, 2004

STEPS IN THE POLITICAL TRANSITION

June 2004: hand-over of “sovereignty” to a transitional Iraqi government

August 2004: formation of an interim Iraqi National Council

January 2005: national elections for Iraq’s National Assembly

October 2005: referendum on new Iraqi constitution

December 2005: elections for constitutionally-based Iraqi government

lent. US officials reluctantly agreed to accelerate the political transition only because of the growing resistance against the occupation, the widening clamor for direct elections, and the consequent stalling of the neo-liberal economic agenda. The US hoped that this decision would pacify the resistance and entice the investors. As a Pentagon official said, “The transfer of sovereignty clearly will have an impact on security because you rid yourself of the ‘occupation’ label. That is one of the claims that these so-called insurgents make; that they are under American occupation. So you remove that political claim from the ideological battle.”⁵¹ Diplomatically, it would be crucial to giving allies political cover for contributing troops and money for the reconstruction. Legally, it would provide cover for investments made under occupation and protect against possible expropriation.

But it was going to be very risky. As former National Security Adviser Brent Scowcroft said when the US President George Bush was faced with a similar dilemma in Iraq after the first Gulf War: “What’s going to happen the first time we hold an election in Iraq and it turns out the radicals win? What do you do? We’re surely not going to let them take over.”⁵²

Bring in the Experts, Embed the Advisers

Even as they tried to defer the inevitable, occupation authorities moved quickly to entrench the foundations of a radical neo-liberal free market regime – before any future sovereign and elected government could come up with other ideas. In other words, the strategy was to preempt the Iraqi government on some of the most fundamental decisions any government has to make regarding its economy. The adopted tactic was best described by USAID’s instruction to Bearing

⁵¹ Tom Shanker and Steven R. Weisman, “US tries to define new Iraq role: Goal for June - a military presence under Iraqi sovereignty,” International Herald Tribune, December 20-21, 2003

⁵² cited by Bob Herbert, “Spoils of War,” New York Times, April 11, 2003

The Experts and Advisers

USAID Contractors Working On Various Sectors Of Iraq's Economy

Sector	Contractor	Tasks
Local Government	Research Triangle Institute	"collaborate with appropriate agencies who will identify individuals or groups who represent the most appropriate, 'legitimate' and functional leadership with which to liaise"
Economy	Bearing Point	"recommend best available options for proceeding to implement an improved policy, regulatory, and legal climate for economic growth"
Education	Creative Associates	Work towards "enhanced public-private partnerships for education service delivery"
Agriculture	Development Alternatives Inc.	"helping the rural poor move a to a market – led economic transformation"
Public Health	Abt Associates	"to expand, strengthen, and reform the overall health system to improve its efficiency and ability to deliver vital services"

Point as it endeavored "to establish the basic legal framework for a functioning market economy." In accomplishing its tasks-- from writing up laws and regulations to setting up the stock market and the Central Bank – Bearing Point was explicitly ordered to take "appropriate advantage of the unique opportunity for rapid progress in this area presented by the current configuration of political circumstances."⁵³

To plant the laws and policies Bearing Point was drafting, the US placed hundreds of "advisers" with extensive corporate backgrounds, as well as dozens of organizations and agencies specializing in designing neo-liberal policies, in key ministries and in the bureaucracy. Brought in to supervise Iraq's privatization spree, for example, was Thomas Foley, a former head of Citicorp who specialized in mergers and acquisitions. Charged to oversee Iraq's agricultural policies was Dan Amstutz who as former vice president of Cargill, the world's biggest grain exporter drafted the controversial agreement on agriculture at the World Trade Organization.⁵⁴ A US law firm connected to Bush, Squire, Sanders and Dempsey, was retained to provide advise on privatizing government industries, establishing regulatory agencies, and developing Iraq's tax structure.⁵⁵ Assigned to head the "advisory board" to the oil ministry was the former chief executive officer of Shell, Phillip Carroll, who was subse-

quently replaced by Robert McKee, a former vice president of oil giant ConocoPhillips. Bremer himself was a former aide of Kissinger, who had once said, "what is called 'globalization' is really another name for the dominant role of the US."⁵⁶ Most interestingly, the US hired the services of Yegov Gaidar, the former Russian prime minister who administered his country's own "shock therapy."⁵⁷

Also deployed was the vast apparatus of the US government that has been promoting neo-liberal free-market policies around the world for the past three decades. This included the US State Department, the USAID, the quasi-governmental National Endowment for Democracy (NED) and their affiliates. Practicing what it preached, the US privatized the project to privatize Iraq by subcontracting various tasks to an army of private contractors: Creative Associates was to work towards "enhanced public-private partnerships for education service delivery"; Abt Associates was assigned to "reform" Iraq's health sector; while Development Alternatives Inc. was to "help the rural poor move a to a market-led economic transformation."

The instructions given to Bearing Point and the way it was directed to operate are illustrative of the powers given these contractors. In the name of "technical as-

⁵³ USAID contract with Bearing Point, 46

⁵⁴ Emad Mekay, "Free Marketeers Have a Plan in Iraq," Inter Press Service, April 30, 2003

⁵⁵ Ben Wootliff, "Bush pals hired to rewrite Iraqi law", The Observer, August 31, 2003

⁵⁶ cited in Doug Lorimer, "Iraq: Globalisation at Gunpoint," Green Left Weekly, September 10, 2003

⁵⁷ Catherine Belton and Oksana Yablokova, "Gaidar Invited to Shock, Awe Iraq," Moscow Times, September 9, 2003; "Yegov Gaidar brings his heavy bag of instruments to Iraq," New York Press, Vol 16 Issue 38, September 17-23, 2003

sistance,” the contractor was authorized to “begin to reform, revise, extract or otherwise advise on changes to policies, laws, and regulations that impact the economy.”⁵⁸ Lamenting that the existing commercial law framework is “woefully deficient in terms of establishing a market-friendly legal and regulatory environment for business formation and operation,” the US ordered the contractor “to create a World Trade Organization-consistent trade and investment legal framework which will both promote competitive development of domestic business...and lay the groundwork for greater integration into international financial and trading networks.”⁵⁹ On the plan to privatize the SOEs, not only was Bearing Point tasked to appraise the market price at which the SOEs are to be sold. “If changes to legislation are required,” says the contract, “contractor will assist legislative reform specifically to allow for the privatization of State-owned industries and firms and/or establishing a privatization entity.”⁶⁰

While in other countries, USAID and its contractors have to negotiate with the existing government to push for their desired laws, in Iraq, as a top US military official said on another matter, “[W]e’d be negotiating with ourselves because we are the government.”⁶¹ While in other settings, they have to contend with existing bureaucracies, in Iraq, they were themselves building that bureaucracy – in this case, literally from the inside-out: To establish their presence firmly within the ministries, Bearing Point was tasked to set up “Macroeconomic Analysis Units” or “Tax Policy Units” to be staffed by Bearing Point employees within the Ministry of Finance and the Central Bank.⁶²

The goal was to be visible and invisible at the same time. The US needed to lock-in the laws and policies but it also wanted to be able to show that it was the Iraqis who pushed for them. To this end, “the Contractor will employ extensive efforts to interact with government officials and leading authorities.”⁶³ Called “instilling ownership” in USAID jargon, this entails ensuring that the adoption of “reforms” are not perceived as externally imposed. “The ultimate goal,”

notes the contract, “is to have Iraq’s government and private sector capable to assume responsibility for appropriately structured and managed market and non-market institutions...”⁶⁴ In other words, the measure of Bearing Point’s success relies on the capacity of Iraqis to continue to defend and sustain the neo-liberal economic regime even without US stewardship as formal occupation is ended.

Put Iraqis out Front

But the laws, structures, and institutions that the US was constructing in Iraq were not going to survive on their own. The paradox of any free market system is that it requires strong intervention to keep it “free.” In order to perpetuate its preferred economic order in Iraq, the US, from the earliest days of the occupation, had searched for Iraqis who would be willing to do its bidding -- not because they were just unthinking “puppets” – but because their interests converge with that of the US. This confluence of interests has been found to be a firmer foundation for collaboration: While the US needs Iraqi faces to project “ownership” and to show that they’re not colonizers imposing their will on the Iraqi people, these Iraqis need the US because, lacking constituency and legitimacy, they have no chance surviving in power without US patronage and protection.⁶⁵ Advising the US administration on how to quell mounting attacks against US forces, Thomas Friedman described this strategy as putting “more Americans out back and more Iraqis out front.”⁶⁶

In examining the US’ relationship with these Iraqis, the USAID’s highly developed step-by-step check-list of techniques for improving the likelihood of “reforms” being successfully embraced is illuminating. To achieve “legitimation” or the means for getting “buy-in” from the people who should be seen as owning the policies, USAID should single out “policy champions” or people who could be relied on to act as its main proponents. Drawing from its “Policy Implementation Toolkit,” USAID contractors should perform “stakeholder analysis” to help them “identify individuals and groups that have an interest, or stake, in the outcome of a policy decision.”⁶⁷ To do this, a catalog of stakeholders classifying them either as “sup-

⁵⁸ USAID contract with Bearing Point, 5-6; In one of its reports, USAID said: “US experts in economic management helped Iraqi ministries examine and reform laws, regulations, and institutions, and they provided a framework for private sector trade, commerce, and investment.” (“Reforms Pave the Way for Growth,” USAID report)

⁵⁹ USAID contract with Bearing Point, 46

⁶⁰ USAID contract with Bearing Point, 7

⁶¹ Jim Crane, “U.S. Wants Military Control in Iraq, Even After Sovereignty Handed Over,” Associated Press, March 13, 2004

⁶² USAID contract with Bearing Point, 41, 43

⁶³ USAID contract with Bearing Point, 11

⁶⁴ USAID contract with Bearing Point, 40

⁶⁵ Chris Toensing, “Another ‘Historic Day’ Looms in Iraq,” Middle East Report Online, January 28, 2005

⁶⁶ Thomas L. Friedman, “No Time to Lose in Iraq,” New York Times, August 20, 2003

⁶⁷ USAID Center for Democracy and Governance, Policy Implementation: What USAID has Learned, (Washington D.C. USAID, 2001), 11.

porters,” “opponents” or “neutral parties should be created and maintained.”⁶⁸

It is worth mentioning that the US’ “policy champions” are not just to be put inside the formal apparatuses of the state, they are also to be lodged within “civil society.” Along with the troops who entered Iraq was a silent battalion of agencies and contractors whose mission was to build up a pro-US, pro-neoliberal “civil society” by creating, funding, and supporting NGOs, trade unions, business councils, research institutions, professional associations, and other civil society organizations. Since the beginning of the occupation, this battalion has fanned out across the country, effectively building up a national political machinery of supporters and campaigners of groups fundamentally at peace with the US role in the country.⁶⁹ On the one hand, they were being built up as a mass base to support the Iraqis that the US wanted to run Iraq’s government; at the same time, they could also be used to pressure them into backing the US agenda. As the USAID put it, “Where political will for systemic reform is lacking, the main thing that foreign assistance can do is to strengthen the constituencies for reform in civil society.”⁷⁰

While the Iraqis out front may occasionally disagree with the Americans out back, on the fundamental questions, they either concur or have no other choice but to submit. After all, their powers are meant to be confined to day-to-day administrative affairs; the US ultimately calls the shots on the questions that matter most. As Dilip Hiro, a Middle East historian put it, “What Washington wanted was Iraqis who – while willing to dabble in occasional criticism of the administration – were in the final analysis beholden to it.”⁷¹ So while the relationship can at times be turbulent, the Americans know that they need the Iraqis out front as much as the Iraqis need the Americans out back.

And so, as both parties were forced to show that something was being handed from one to the other as part of a political transition, both worked in tandem to hold on to power. The story of the political transition is the story of how the US attempted to manage the process and determine the outcome every step of the way, as evidenced by its efforts to retain the power of its preferred Iraqis and preserve ultimate political,

military, and economic control while appearing to be relinquishing them.

Hand-Over ‘Sovereignty’ But Keep All the Power

On June 28 2004, the US reportedly handed over “sovereignty” to Iraq and began a gradual process towards installing an elected government. As to what exactly that word meant, even US officials had varying interpretations. According to Bush, they were transferring “full sovereignty;”⁷² a State Undersecretary called it “limited sovereignty.”⁷³ For then State Secretary Colin Powell, “It’s sovereignty but (some) of that sovereignty they are going to allow us to exercise on their behalf and with their permission.”⁷⁴ But with the US ultimately deciding which part of that sovereignty they’re going to exercise on the Iraqis’ behalf and which part they we’re going to concede to the Iraqis, US Congresswoman Nancy Pelosi’s description of the event was perhaps most accurate: It was “essentially a handover of authority from the US-led occupation to the new embassy there.”⁷⁵

Despite media coverage to the contrary, then Defense Undersecretary Paul Wolfowitz was first to caution against depicting the June 28 hand-over as a “magical date.”⁷⁶ The Transitional Administrative Law, or the so-called interim constitution which was drafted by American lawyers and which Bush vowed would embody “American values,” was to remain in force.⁷⁷ This meant that the Orders enacted by Bremer would also remain in effect. Repealing it would be extremely difficult, if not near impossible, because to do so would require the approval of two-thirds to three-fourths of a future assembly. As if to underscore the continuity before and after the hand-over, a State Department official explained, “The law doesn’t expire with a new government coming in, any more than the

⁷² Elisabeth Bumiller, “Bush lays out goals for Iraq: self-rule and stability,” *New York Times*, May 25, 2004

⁷³ Josh White and Jonathan Weisman, “Limited Iraqi Sovereignty Planned,” *Washington Post*, April 22, 2004

⁷⁴ Vicki Allen, “Negroponte Says Won’t Command Iraqi Government,” *Reuters*, April 27, 2004

⁷⁵ Vicki Allen, “US Senators Question Impact of Power Transfer,” *Reuters*, April 22, 2004

⁷⁶ Vicki Allen and Donna Smith, “U.S. Says June 30 Not a ‘Magical Date’ for Iraq,” *Reuters*, April 20, 2004

⁷⁷ Associated Press, “US will help draft Iraq Constitution,” November 16, 2003; Barbara Slavin and Steven Komarow, “Iraq’s Temporary Constitution To Resemble America’s” *USA Today*, November 17, 2003; Jim Lobe, “US Lawmakers Warn of Brewing Crisis Over Women’s Rights in Iraq,” *OneWorld*, February 3, 2004; Rajiv Chandrasekaran, “Kurds Reject Key Parts of Proposed Iraq Constitution,” *Washington Post*, February 21, 2004; Rajiv Chandrasekaran and Walter Pincus, “US Edicts Curb Power of Iraq’s Leadership,” *Washington Post*, June 27, 2004

⁶⁸ USAID Center for Democracy and Governance, *Policy Implementation: What USAID has Learned*, (Washington D.C. USAID, 2001), 11.

⁶⁹ Herbert Docena, “Silent Battalions of Democracy,” *Middle East Report*, Fall 2004

⁷⁰ USAID, *Foreign Aid in the National Interest*, 48

⁷¹ Dilip Hiro, “Tipping Point in Iraq,” *MotherJones.com*, June 24, 2004

laws passed under the Clinton administration expired when the Bush administration came into office.”⁷⁸

All US and coalition troops were to stay behind indefinitely and the Iraqi government had no power over them, no authority to order them to leave, and no control over their operations.⁷⁹ They even had no power to prosecute them in case they commit crimes because they were granted legal immunity by the US.⁸⁰ The CIA retained control of Iraq’s intelligence apparatus.⁸¹ Asked when the troops might leave, Gen Richard B. Myers, chairman of Joint Chiefs of Staff, said, “I really do believe it’s unknowable.”⁸² While the occupation forces struggled to cast the Iraqi troops as Iraq’s own army, they were in fact being built to function as proxies of the US military. The TAL puts them under US command, at the frontlines.⁸³ As a Pentagon official explained, “They will take over the fight as we move back into the shadow, out of the cities, and provide logistics, quick-reaction forces, communications, food, bullets, advice and training.”⁸⁴ One of Iraq’s most important defense officials, its National Security Adviser, was to be appointed by Bremer and was to remain in office even after a government is elected.⁸⁵

Apart from leaving behind the US troops to watch over the new government, the US also created new commissions and institutions that, according to the *Wall Street Journal*, “effectively take away virtually all of the powers once held by several ministries.”⁸⁶

⁷⁸ Steven Weisman, “Iraq’s New Government Faces Bargaining Over its Power,” *New York Times*, June 2 2004

⁷⁹ Reuters, “Iraq Resolution Gives Wide Powers to US Forces,” May 24, 2004; Rory McCarthy, “US will Override Baghdad in War on Terrorism,” *The Guardian*, June 1, 2004; Jim Krane, “US will retain sovereign power in Iraq,” Associated Press, March 21, 2004; Yochi J. Dreazen and Christopher Cooper, “‘Behind the Scenes, US Tightens Grip on Iraq’s Future,” *Wall Street Journal*, March 13, 2004

⁸⁰ Agence France Press, “Coalition troops to enjoy immunity from prosecution in Iraq,” May 23, 2004; ; Rory McCarthy, “US will Override Baghdad in War on Terrorism,” *Guardian*, June 1, 2004; Steven Weisman, “Iraq’s New Government Faces Bargaining Over its Power,” *New York Times*, June 2, 2004; Robin Wright, “US Immunity in Iraq will go beyond June 30,” *Washington Post*, June 24, 2004

⁸¹ Hannah Allam and Warren P Strobel, “Amidst Doubts CIA Hangs on to Control of Iraqi Security Service,” *Knight Ridder*, 8 May 2005

⁸² Bradley Graham, “Duration of US Presence in Iraq ‘Unknowable,’ Myers Says,” *Washington Post*, February 20, 2004

⁸³ Reuters, “Powell: Iraq will have no veto on US-led force,” June 3, 2004

⁸⁴ Thom Shanker and Steven R. Weisman, “US tries to define new Iraq role: Goal for June: a Military Presence under Iraqi sovereignty,” *International Herald Tribune*, December 20-21, 2003

⁸⁵ Reuters, “Bremer to appoint Iraq National Security Adviser,” March 25, 2004

⁸⁶ Yochi J. Dreazen and Christopher Cooper, “‘Behind the Scenes, US Tightens Grip on Iraq’s Future,” *US Tightens Grip on Iraq’s Future*,” *Wall Street Journal*, March 13, 2004

This included Iraq’s Inspector General, the Commission on Public Integrity, the Communication and Media Commission, which has the power to shut down media outlets, and the Board of Supreme Audit, which has authority to review government contracts.⁸⁷

Bremer appointed the chiefs of these powerful commissions to five-year terms, effectively ensuring that they could not be replaced by the incoming government, in order to “promote his concepts of governance long after the planned hand-over,” according to the *Washington Post*.⁸⁸ Iraq’s Oil Minister had hoped that, “When sovereignty is regained, it means that there will be no more US advisers not only in the ministry of oil, but in every ministry in Iraq.”⁸⁹ In fact, the 110 to 160 advisers in the various ministries were not told to vacate their desks and they continue to report for work in the ministries until now.⁹⁰

Aside from having no power over the troops and having little sway over the ministries, the new interim government would also have little power over the coffers. While authority over Iraq’s oil revenues was to be transferred to the interim government, the US had tied its proceeds down to projects decided by the US and to contractors chosen by the US, thereby depleting the amount of revenue to be controlled by the interim government. As the date of the hand-over approached, the US engaged in a massive spending spree. Issuing more than 1,000 contracts on a single day, it was, as the *Los Angeles Times* described it, “like a Barneys warehouse sale in the Wild West, with the US playing the role of frenzied shopper and leaving Iraqis to pay the bill.”⁹¹ At some point, US soldiers used the cash that they had been given from out of Iraq’s oil revenues to attempt to make the Iraqis “like” them.⁹² Between \$4 to \$20 billion of Iraq’s oil

⁸⁷ Yochi J. Dreazen and Christopher Cooper, “‘Behind the Scenes, US Tightens Grip on Iraq’s Future,” *US Tightens Grip on Iraq’s Future*,” *Wall Street Journal*, March 13, 2004; Phyllis Bennis, “Reading the Elections,” *Inter Press Service*, February 2, 2005

⁸⁸ Jim Krane, “US will retain sovereign power in Iraq,” Associated Press, March 21, 2004; Rajiv Chandrasekaran and Walter Pincus, “US Edicts Curb Power of Iraq’s Leadership,” *Washington Post*, June 27, 2004

⁸⁹ Nicolas Pelham, “Iraqi Minister Unveils Proposal to Control Oil,” *Financial Times*, June 10, 2004

⁹⁰ Steven Weisman, “Iraq’s New Government Faces Bargaining Over its Power,” *New York Times*, June 2 2004; “USAID activities promote trade and open markets in Iraq, aim to help meet World Trade Organization Requirements,” *Portal Iraq*, February 10, 2005

⁹¹ T. Christian Miller, “Rules and Cash Flew Out the Window,” *Los Angeles Times*, May 20, 2005

⁹² One US official said: “The military commanders love that program [cash being given for US military teams to freely spend] because it buys them friends. You want to hire everybody on the street, put money in their pockets and make them like you. We have always spent Iraqi money on that.” (Steven R Weisman,

revenues disbursed under the occupation authorities were unaccounted for, prompting Transparency International to warn that Iraq could be the “biggest corruption scandal in history.”⁹³

The US had the option to retain management control over all contracts entered before the CPA was dissolved; the interim government had no power to renege on them, reallocate previously committed funds, and enter into longer-term commitments.⁹⁴ Along with the International Monetary Fund, the US would still have a seat in the body monitoring disbursements after the hand-over and would still have power over the other big source of money flowing into Iraq, the \$18-billion reconstruction fund from the US, and to an extent, over the amounts donated to Iraq by foreign donors.⁹⁵ In fact, Iraq’s budget for 2004-2006 had to be approved by the CPA and had to meet the guidelines of the IMF.⁹⁶

All these indicate that the occupation did not end; the June 28 hand-over merely inaugurated a new relationship between the Americans and the Iraqis. “We’re still here. We’ll be paying a lot of attention and we’ll have a lot of influence,” a ranking US official said.⁹⁷ It was an exit strategy without having to exit and the goal was to put in place handles with which to pull strings. As one senior White House official told the *New York Times* then, “We’ll have more levers than you think, and maybe more than the Iraqis think.”⁹⁸

Choose to Whom You’re Going to Hand-Over ‘Sovereignty’

Aside from setting the terms by which “sovereignty” was going to be transferred, the US also decided to whom it was going to be transferred.

In an attempt to bestow legitimacy on the process and show that the international community has a role in the transition, the US deployed UN special envoy Lakhdar Brahimi to Iraq to hold consultations with various groups in search of the particular Iraqis to head Iraq’s transitional government. Brahimi came out of the negotiations and horse-trading at first furious, then exasperated, then resigned to the outcome, saying, “I sometimes say – I’m sure he doesn’t mind me saying that – that Bremer is the dictator of Iraq. He has the money. He has the signature. Nothing happens without his agreement in this country.”⁹⁹

In the end, it was the US, through Bremer and a certain Robert Blackwill, who chose Iraq’s new prime minister, Iyad Allawi. The National Security Council’s coordinator for strategic planning and Bush’s unofficial emissary to Iraq, Blackwill was said to be the “single most influential person when it comes to decision-making in Baghdad today,” according to an expert on the Middle East with the US Institute of Peace.¹⁰⁰ He allegedly gave Brahimi the names of the Iraqis that the US favored and reportedly “railroaded” the IGC into supporting Allawi, as confirmed by people involved in the process, because he was most willing to give in to the US demands.¹⁰¹ One IGC member, Mahmoud Othman complained, “The Americans are trying to impose their decisions on us, and we are

“Iraqi oil cash fuels rebuilding projects,” *International Herald Tribune*, June 22, 2004)

⁹³ Christian Aid, “Fuelling suspicion: the Coalition and Iraq’s Billions,” June 2004; Emad Mekay, “‘Staggering Amount’ of Cash Missing in Iraq,” *Inter Press Service*, August 21, 2004; Iraq Revenue Watch, “Audit Finds More Irregularities and Mismanagement of Iraq’s Revenues,” *Revenue Watch Briefing No. 9*, December 2004; Agence France Press, “Iraq Reconstruction ‘Rife with Corruption’” March 16, 2005

⁹⁴ CPA Inspector General’s Report to Congress, July 30, 2004, 63; David Osborne, Anne Penketh and Colin Brown, “No Exit Date Set in Bush Handover Plan,” *The Independent UK*, May 25, 2004

⁹⁵ Chris Shumway, “Iraq’s ‘Sovereign’ Government to have Little Control over Oil Money,” *The New Standard*, June 22, 2004

⁹⁶ Republic of Iraq 2004 Budget, October 2003; transcript of news Conference at National Press Club Afternoon Newsmaker News Conference, Washington DC, December 21, 2004, www.state.gov

⁹⁷ Jim Krane, “US will retain sovereign power in Iraq,” *Associated Press*, March 21, 2004

⁹⁸ David E. Sanger, “America’s Gamble: A Quick Exit Plan for Iraq,” *New York Times*, November 16, 2003

⁹⁹ Rajiv Chandrasekaran, “Envoy Bowed to Pressure in Choosing Leaders,” *Washington Post*, June 2, 2004; Anne Penketh and Justin Huggler, “UN fury over Bush attempts to install PM,” *Independent UK*, May 27, 2004; Rajiv Chandrasekaran, “Former Exile is Selected as Interim Iraqi Leader,” *Washington Post*, May 29, 2004

¹⁰⁰ Associated Press, “Former Indian Envoy is Bush’s Man Friday,” May 27, 2004

¹⁰¹ Christopher Adams and Roula Khalaf, “US and UK Close to Deal on Shape of Iraq’s Government,” *Financial Times*, March 11, 2004; Luke Baker, “Iraqi Governing Council Has Doubts About UN Role,” *Reuters*, March 14, 2004; Jim Lobe, “Chalabi: From White House to Dog House in Just Five Months,” *Anti-war.com*, May 21, 2004; Rajiv Chandrasekaran, “Former Exile is Selected as Interim Iraqi Leader,” *Washington Post*, May 29, 2004; Monte Morin and Alissa J. Rubin, “U.S. Orders Iraqis to Delay Nomination,” *Los Angeles Times*, May 31, 2004; Dexter Filkins, “A Worn Road for UN Aide,” *New York Times*, May 31, 2004; Rajiv Chandrasekaran, “Envoy Bowed to Pressure in Choosing Leaders,” *Washington Post*, June 2, 2004; Steven R. Weisman, “Iraq’s new government faces bargaining over its power,” *New York Times*, June 2, 2004; Massimo Calabresi, “Our (Irascible) Man in Iraq” *Time*, June 28, 2004

trying to reject them.”¹⁰² The *New York Times* observed how the turn of events seemed to confirm that Brahimi “was merely bowing to the wishes of others.”¹⁰³ Brahimi himself admitted that he faced “terrible pressure” that prevented him from asserting his preferences;¹⁰⁴ others reported that he only gave in to the Americans’ choice because of their “aggressive recommendation.”¹⁰⁵ He said: “You know, sometimes people think I am a free agent out here, that I have a free hand to do whatever I want.”¹⁰⁶

Blackwill’s choice, Allawi, was a long-time CIA agent who provided some of the misleading intelligence reports that the US and the UK needed to justify the war.¹⁰⁷ He also subsequently gave the US what it badly wanted at that particular juncture: an invitation for the US-led troops to stay. With Allawi, as “prime minister,” agreeing not to call for the withdrawal of US occupation forces, the US secured the legal veneer it needed in the form of a United Nations Resolution proclaiming that the Iraqis had regained sovereignty. Ghazi al-Yawar, the IGC member who emerged as “president,” said that it would be “complete nonsense” to call for the troops to leave.¹⁰⁸

For the second step of the political process, the formation of the Iraqi Interim National Council in August 2004, the US and the IGC agreed to reserve 19 out of the 100 seats to the parties that were in IGC. The method of balloting for choosing the rest of the 81 was designed such that these same parties would eventually dominate the council. The participants of the conference were self-selected; groups calling for the withdrawal of troops simply boycotted the event.¹⁰⁹ Those who did attend were supposed to come up with lists of candidates but since only the parties that were already in the IGC were able to consolidate their rosters in time, no voting eventually took place and a 4-member panel ended up hand-picking the

members.¹¹⁰ As one participant explained it, “They’ve already divided the cake among themselves. They’ve been negotiating in secret for weeks. We don’t know who is on this list and they tell us, ‘take it or leave it’!”¹¹¹

Put Your Friends in Power

The third step in the process was the elections held in January 2005. Here, the US did everything its power to make sure Scowcroft’s scenario does not come true.

After deciding to accelerate the transition process, the US reallocated its budget for “democracy-building” from \$100 million to \$458 million out of its \$18-billion reconstruction chest.” So important was this goal seen that its allotment was just about as big as the budget for transportation and telecommunications projects.¹¹² For the elections, the US allotted more than \$30 million to provide “strategic advise, training, and polling data” to “moderate and democratic” Iraqi political parties in order to make them “compete effectively” and to “increase their support among the Iraqi people.”¹¹³ The Department of State was reported to be spending \$1 million on monthly opinion surveys to find out “which candidates are attracting the most support from the Iraqi people.”¹¹⁴

Brought in to carry out these electoral operations were the usual “democracy promotion” organs of the US such as the USAID and its contractors, the National Endowment for Democracy (NED), the National Democratic Institute (NDI), the International Republican Institute (IRI), International Foundation of Elections Systems, etc, which are documented to have supported and funded pro-US parties and candidates in Venezuela, Nicaragua, Haiti, Ukraine, El Salvador, etc.¹¹⁵ The Central Intelligence Agency, whose station

¹⁰² Dexter Filkins, “A Worn Road for UN Aide,” *New York Times*, May 31, 2004

¹⁰³ Warren Hoge and Steven R. Weisman, “Surprising Choice for Premier of Iraq Reflects US Influence,” *New York Times*, May 29, 2004

¹⁰⁴ Dexter Filkins, “A Worn Road for UN Aide,” *New York Times*, May 31, 2004

¹⁰⁵ Rajiv Chandrasekaran, “Envoy Bowed to Pressure in Choosing Leaders,” *Washington Post*, June 2, 2004

¹⁰⁶ Warren Hoge and Steven R. Weisman, “Surprising Choice for Premier of Iraq Reflects US Influence,” *New York Times*, May 29, 2004

¹⁰⁷ Patrick Cockburn, “Exiled Allawi was Responsible for 45-minute WMD claim,” *Independent UK*, May 29, 2004

¹⁰⁸ Todd Zeranski, “Iraq’s Al-Yawar Says U.S., Other Forces May Be Cut by Year End,” *Bloomberg.com*, February 2, 2005

¹⁰⁹ Ian Fisher, “Early Steps, Maybe, Toward a Democracy in Iraq,” *New York Times*, July 27, 2004

¹¹⁰ Mark Tumer, “Iraqis doubt move towards democracy,” *Financial Times*, July 25 2004; Dean Yates, “Mortars Mark Opening of Iraqi Political Conference,” *Reuters*, August 15, 2004; Fiona Symon, “Financial Times briefing on Iraq Elections,” *Financial Times*, August 17, 2004; ; James Drummond, “Main Parties maintain hold on new assembly,” *Financial Times*, August 18, 2004; Lisa Ashkenaz Croke, “New Iraqi Council Chosen in Undemocratic Assembly,” *The New Standard*, August 23, 2004

¹¹¹ Christophe Boltanski, “The Baghdad National Conference Hubbub,” *Liberation*, August 18, 2004

¹¹² Carolyn Skorneck, “White House Revises Details of Iraq Reconstruction,” *Congressional Quarterly Weekly*, January 10, 2004

¹¹³ Deborah Zabarenko, “US-Backed Iraqi Government Losing Support- Survey,” *Reuters*, October 22 2004

¹¹⁴ Adam Entous, “Bush to Aid ‘Moderate’ Parties in Iraqi Election,” *Reuters*, October 8, 2004

¹¹⁵ For more on the US’ “democracy promotion” activities, see William Robinson, *A Faustian Bargain: US Intervention in the Nicaraguan Elections and American Foreign Policy in the Post-Cold War Era* (Boulder: Westview, 1992). On Iraq, see Lisa Ashkenaz Croke and Brian Dominick, “Controversial US groups

in Baghdad had grown to be its largest in the world, was also reported to be planning covert operations to influence election outcomes.¹¹⁶ The NDI and the IRI, the foreign arms of the US' Democratic and Republican parties respectively, were given \$80 million by the USAID to help their preferred parties. The NED had been holding sessions teaching Iraqis how to build up their parties' local and regional structures, how to recruit members, how to fundraise and how to cultivate relations with media.¹¹⁷ The IRI produced a database of parties, with information on each group's characteristics, their regions of operations, and estimates of their memberships.¹¹⁸

In these activities, "democracy promotion" translated to promoting the US' goals in the country in general, and to promoting Allawi's party and most of the other parties that were inside the IGC, in particular.¹¹⁹ This was a tough task because the interim government, as dominated by these parties, were seen by up to 55% of Iraqis in an IRI survey as no longer representing their interests.¹²⁰ As it did in Nicaragua or in Haiti, the White House explicitly urged leaders of the parties it was supporting to coalesce and get their act together. Blackwill continued to perform his role mediating between the Bush administration and the Iraqis, at one point suggesting that they form a single slate for the elections supposedly to counter the power of Grand Ayatollah Ali Sistani, Iraq's most influential religious and political leader.¹²¹

Even as the US gave its Iraqi allies advantage, it also sought to isolate and weaken their rivals. This was not limited to giving one side an advantage in resources and organization; it also meant writing the rules to their favor. The election law enacted by the CPA gave the 7-member electoral commission appointed by Bremer the power to disqualify candidates and required it to implement a code banning candidates from using "hate speech, intimidation, and support for the

practice of and the use of terrorism."¹²² In practice, given how "terrorism" has been defined in Iraq's context as actions directed against US forces, this code was meant to eliminate those whom Bremer called the "rejectionists" from the electoral race. One anti-occupation force, that headed by Moqtada Sadr, was not only banned from joining the elections but also became the target of an all-out military offensive and assassination.¹²³ Other important political forces, who were not necessarily engaged in armed resistance, boycotted the elections as a matter of principle or out of a strategic calculation that even if they engaged, they would have had no chance and they would only have ended up legitimizing the winners. Needless to say, in the dispensation of cash, none was to be given to the "rejectionists." As the IRI's President Lorne Craner, put it, "If you're a violent party outside the process, this is not the right place for you."¹²⁴

Further limiting the choices for Iraqis – and in effect favoring the non-rejectionists – was the manner by which the elections were actually conducted. For example, the composition of the ballots could only have been bewildering. It contained 98 mostly indistinguishable political formations to choose from, almost none of which – except the incumbents – had any chance to campaign and present themselves to the public. The full list of the 7,000-plus candidates was announced only five days before election. Moreover, all Iraqi expatriates living outside the country, the constituency of the exile parties supportive of the US, were automatically given the right to vote.¹²⁵

The final outcome of the tally was clouded with confusion and suspicion. At first the election commissioner announced, even before polling closed, that the turn-out was 72%, only to be scaled down later to just 58%.¹²⁶ *Reuters* reported that the winning United Iraqi Alliance was initially informed by the electoral commission that they had won 60% of the vote, giving them a clear majority in the new interim government, only to be told later that they actually got 48% and therefore had to form a coalition government with the

Operate Behind Scenes on Iraq Vote," *NewStandard*, December 13, 2004; Robin Wright and Colum Lynch, "Limited UN Role Hinders Iraq Vote," *Washington Post*, October 19, 2004

¹¹⁶ Timothy Burger and Douglas Waller, "How Much US Help?: The Bush Administration Takes Heat for a CIA Plan to Influence Iraq's Elections," *TIME Magazine*, October 4, 2004

¹¹⁷ CPA Administrator's Weekly Governance Report, March 13-19, 2004.

¹¹⁸ CPA Administrator's Weekly Governance Report, February 7-13, 2004.

¹¹⁹ Robin Wright, "Religious Leaders Ahead in Iraq Poll," *Washington Post*, October 22, 2004

¹²⁰ Deborah Zabarenko, "US-Backed Iraqi Government Losing Support- Survey," *Reuters*, October 22 2004

¹²¹ Johanna McGeary, "Iraq's Shadow Ruler," *TIME Magazine*, October 17, 2004; Ashraf Khalil and Paul Richter, "US is Said to Urge its Iraqi Allies to Unite for Election," *Los Angeles Times*, October 25, 2004

¹²² Rajiv Chandrasekaran and Walter Pincus, "US Edicts Curb Power of Iraq's Leadership," *Washington Post*, June 27, 2004

¹²³ Jonathan Steele and Patrick Wintour, "US bans cleric from Iraq elections," *The Guardian*, June 8, 2004; Seymour Hersh, "Plan B," *New Yorker*, June 28, 2004

¹²⁴ Adam Entous, "Bush to Aid 'Moderate' Parties in Iraqi Election," *Reuters*, October 8, 2004

¹²⁵ Carl Conetta: The Iraq Election 'Bait and Switch': Faulty Poll will not Bring Peace or US Withdrawal," *Project on Defense Alternatives Briefing Report #17*, January 25, 2005

¹²⁶ Dahr Jamail, "Some Just Voted for Food," *Inter Press Service*, January 31, 2003; Phyllis Bennis, "Reading the Elections," *Inter Press Service*, February 2, 2005

pro-US Kurdish parties.¹²⁷ There was no way of verifying whether fraud took place because there were no independent international monitors to scrutinize the elections. The world just had to take the US-installed Iraqi government's word for it.¹²⁸

Keep Your Friends in Line

Through the first three steps of the stage-managed political process, the US has so far succeeded in installing a government supportive of the US goals in Iraq. Currently at the helm of Iraq's interim government are virtually the same political forces who came side-by-side with the Americans during the invasion and who were subsequently appointed to the IGC.

While there have been tensions and disagreements, most of them have consistently echoed the US' plans for Iraq's economy. The first appointed oil minister of the Iraq Governing Council, Mohammad Bahr al-Ulum said he favored the privatization of downstream oil installations and production-sharing contracts upstream, saying priority would be given to US oil companies and "European companies, probably."¹²⁹ He also vigorously enticed foreign oil companies to invest in Iraq and removed senior technocrats in the oil ministry who oppose his plans. Just before bowing out of power as Iraq's prime minister between June 2004 and January 2005, Allawi signed guidelines permitting the multinational oil corporations to develop Iraq's reserves and keeping oil policy out of the hands of any future parliament.¹³⁰ While he reportedly had a few skirmishes with sections of the Bush administration, Ahmed Chalabi – who is even more aggressive in pushing for the privatization of Iraq's oil – went on to become Iraq's acting oil minister after the January 2005 elections.¹³¹ "American oil companies will have a big shot at Iraqi oil," Chalabi had promised before the invasion.¹³² With Iraqis like these in front, Pentagon officials had already assured investors who signed contracts with the former occupation authority that

their investments would be honored by the new government because those who were involved in the reconstruction planning will still be part of that government.¹³³

While some commentators have played up the supposed contradictory relationship between the US' and the winning UIA, which includes parties with Shia constituencies such as the Supreme Council for Islamic Revolution (SCIRI) and the Da'awa Party, it bears pointing out that a week before the elections, the UIA changed its platform from "setting a timetable for the withdrawal of multinational forces in Iraq" to "the Iraq we want is capable of protecting its borders and security without depending on foreign forces."¹³⁴ It was Da'wa leader Ibrاهيم al-Jafaari, Iraq's new prime minister, who allowed the US forces to stay on beyond the elections.¹³⁵ It was Adil Abdel Mahdi, a senior leader of SCIRI and now Iraq's vice president, who, just before the elections, said the government intends to privatize the Iraqi National Oil Company and open up Iraq's oil reserves to multinational oil companies, saying, "[T]his is very promising to the American investors and to American enterprises, certainly to oil companies."¹³⁶ As importantly as the new interim government's decision to allow the troops to stay and to open up the oil reserves is its decision to respect the Transitional Administrative Law, and therefore, to keep the neo-liberal economic laws in place.¹³⁷

Bring in the Bretton Woods Twins

Having succeeded in installing the "non-rejectionists" at the reins of Iraq's interim government and in preserving the structures it had constructed to secure its neo-liberal laws, the US is confident that its "reforms" for Iraq will survive the last two steps of the political transition: the scheduled referendum on the new constitution this October 2005 and then the elections for a constitutionally elected government this December 2005. As the Iraqis' write their country's most important law, there are already indications that the US embassy in Baghdad, its largest in the world, will not sit idly by. Deputy Prime Minister Roz Noori Shawes has signified that "we might make use of foreign ex-

¹²⁷ Reuters, "Shi'ite list says won around 60 pct of Iraq vote," February 13, 2005; Michael Meacher, "America is usurping the democratic will in Iraq," *The Independent*, April 5, 2005

¹²⁸ Robin Wright and Colum Lynch, "Limited UN Role Hinders Iraq Vote," *Washington Post*, October 19, 2004; "Iraq Presses UN for More Help on Elections," *Alertnet*, December 13, 2004; Carl Conetta: *The Iraq Election 'Bait and Switch': Faulty Poll will not Bring Peace or US Withdrawal*, Project on Defense Alternatives Briefing Report #17, January 25, 2005

¹²⁹ Nicolas Pelham, "Iraqi Minister Sees Oil Privatization Obstacles," *Financial Times*, September 5, 2003

¹³⁰ Gregg Muttitt, "Under the Surface: Iraqi Oil and Tony Blair's Absurd Conspiracy Theory," *Red Pepper*, January 2005

¹³¹ Chip Cummins, "State-run oil company is being weighed for Iraq," *Wall Street Journal*, January 7, 2004

¹³² Dan Morgan and David B. Ottaway, "In Iraqi War Scenario, Oil Key Issue," *Washington Post*, September 15, 2002

¹³³ T. Christian Miller, "Firms Fear Iraq Contracts Won't Survive Transfer of Power," *Los Angeles Times*, February 11, 2004

¹³⁴ Chris Toensing, "Another 'Historic Day' Looms in Iraq," *Middle East Report Online*, January 28, 2005

¹³⁵ John F. Burns, "At Iraqi Request, the UN Extends Approval for US-Led Forces to Stay," *New York Times*, June 1, 05

¹³⁶ Emad Mekay, "US to Take Bigger Bite of Iraq's Economic Pie," *Inter Press Service*, December 23, 2004

¹³⁷ International Crisis Group, "Iraq: Don't Rush the Constitution," *International Crisis Group Middle East Report No. 42*, 8 June 2005

perts.”¹³⁸ USAID “advisers” are ready with their “technical assistance.” Former State Secretary Colin Powell has clearly stated what the priorities of the largest US embassy in the world will be. “The real challenge for the new embassy, so to speak, or the new presence will be helping the Iraqi people get ready for their full elections and the full constitution...,” he said.¹³⁹

Meantime, the neo-liberal agenda is moving forward. Iraq’s Industry Ministry announced in May 2005 that the plans to privatize the SOEs are pushing through.¹⁴⁰ The plans for Iraq’s oil industry has become much clearer. As proposed by US advisers, , Iraq will form a state oil company that will walk and talk like a state oil company but will not be a state oil company. It will be nominally state-owned but open to foreign investors”; “politically independent” but “run by a professional management team insulated from political interference in day-to-day affairs.”¹⁴¹

Despite the relative success with which the US has managed the political transition so far, however, the US is still not assured of making the “capitalist’s dream” come true. As of June 2005, the resistance to the occupation is growing, not abating. The latest survey shows that 45% of Iraqi respondents support those fighting the US troops, while only 15% back the US-led coalition.¹⁴² Moreover, in spite of its accomplishment in putting Iraqis friendly to its interests in power, there’s still opposition – even among the non-rejectionists – to the US neo-liberal economic plans, as evidenced most dramatically by the IGC’s earlier unanimous decision not to participate in the proposed privatization program.¹⁴³

To confront this defiance and to further circumscribe the power of any Iraqi government in power – whether it be run by rejectionists or non-rejectionists, the US has tapped the services of the multilateral financial institutions known for disciplining recalcitrant governments resisting economic re-structuring. In November 2004, the Paris Club decided to forgive a

portion of Iraq’s \$40 billion debt but only if it follows IMF conditions.¹⁴⁴ As evidenced by its reports and policy papers, the IMF’s stance towards Iraq clearly hews closely to that of the US, i.e. that the country is in desperate shape because of Saddam’s centralized economy, that the US has come to liberate it, the IMF is only there to help, and that the ones resisting the occupation are “opponents.”¹⁴⁵

Its economic design on Iraq also fits in very neatly with the US’ plans. According to Takatoshi Kato, IMF Deputy Managing Director, “Iraq will need to embark in the near future on a program of ambitious structural reforms to achieve sustained private sector-led growth, including, among other things, the establishment of the legal, institutional and regulatory frameworks for markets to work effectively and the design of appropriate safety nets that would support social stability.”¹⁴⁶ IMF loans, Kato said, should “help the authorities to undertake difficult but necessary reforms, including restructuring of the public sector.”¹⁴⁷

Tasked to coordinate closely with the IMF is the World Bank which is now headed by one of the US’ top war architects, then Defense Undersecretary Paul Wolfowitz, who, when asked why the US invaded Iraq and not North Korea, said: “[E]conomically, we just had no choice in Iraq. The country swims on a sea of oil.”¹⁴⁸ The World Bank has already worked on Iraq’s National Development Strategy, or the over-all framework for Iraq’s economy and, like Bearing Point, is providing technical assistance on virtually all aspects of Iraq’s economy. Like Bearing Point, the World Bank staff calls for fast action. Citing the lessons of an earlier war, a working paper states that “One of the main lessons of Bosnia and Herzegovina’s experience is the need to press for investment-related policy reforms as early as feasible...[T]here is no doubt that earlier reform would have been desirable, and this is one of the most important lessons for other post-conflict environments.”¹⁴⁹

As it has done in scores of countries around the world, the IMF and the World Bank use debt as leverage to impose conditions that severely inhibit the policy scope of any future Iraqi government. Though the Iraqi National Assembly has rejected the Paris Club

¹³⁸ Azzaman, “No Foreign Hand in Drafting Constitution,” in Institute for War and Peace Reporting Iraqi Press Monitor No 248 May 25, 2005

¹³⁹ Robin Wright, “US has Big Plans for Embassy in Iraq” Washington Post, January 2, 2004

¹⁴⁰ David Salman, “Iraq draws up plan to privatize state-owned firms,” Daily Star (Lebanon), May 17, 2005

¹⁴¹ Gregg Muttitt, “Under the Surface: Iraqi Oil and Tony Blair’s Absurd Conspiracy Theory,” Red Pepper, January 2005; David R. Becker, “Seeking Iraq’s Oil Prize: Government May Allow Foreign Firms to Invest,” San Francisco Chronicle, January 26, 2005

¹⁴² Bryan Bender, “Seeking Political Solution in Iraq: With Conflict Unabated, Allies Hope for Alternative to Battle,” International Herald Tribune, June 11-12, 2005

¹⁴³ Naomi Klein, “Baghdad: Year Zero,” Harpers, September 2004

¹⁴⁴ Brian Dominick, “US Forgives Iraq Debt to Clear Way for IMF Reforms,” The New Standard, December 19, 2004

¹⁴⁵ IMF Country Report No.4/325, September 2004

¹⁴⁶ IMF Press Statement, October 13, 2004

¹⁴⁷ IMF Country Report No.4/325, September 2004

¹⁴⁸ George Wright, “Wolfowitz: Iraq war was about oil,” The Guardian, June 4, 2003

¹⁴⁹ World Bank, “Building a Sustainable Investment Climate in Iraq,” World Bank Reconstructing Iraq Working Paper Series No. 1, September 27, 2004, 4

deal on the debt,¹⁵⁰ the interim government has promised the IMF that it will push through with “reforms aimed at reducing the role of the government in the economy,” including cutbacks in government employees’ wages and pensions and in subsidies on food and oil products.¹⁵¹ While there are serious shortcomings in the way the Assembly was constituted, it is the closest representative institution in Iraq – certainly more representative than the hand-picked Finance Minister – and its position on the debt and the IMF’s conditions illustrate the threats that the US economic agenda faces once more Iraqis are given a say.

Keep the Troops Ready to March Out Anytime

But there’s no option of backing down. While there have been divergences among US officials on the scale and speed of Iraq’s economic restructuring, there has been few cracks on the ultimate goal of transforming Iraq into an open free-market economy.¹⁵² As long as the Iraqis out front are protected by those out back, the plans will push through. As General David Petraeus, who was tasked to oversee training of Iraqi forces, said, “The key there is of course Iraqi leadership backed up and very firmly embraced by coalition forces.”¹⁵³

Just in case anything happens, i.e. the rejectionists take power despite all of the US’ precautions or the non-rejectionists begin disobeying orders, the US can always call in the troops – or order them to march out of their bases – anytime. The indefinite presence of the US troops and the planned establishment of permanent military bases in Iraq represent the ultimate safeguard for the US’ economic agenda in Iraq. US military engineers are now constructing a network of up to 14 “enduring” military bases all over Iraq.¹⁵⁴ Noting how US naval bases in the Philippines gave the US “great presence in the Pacific,” former Iraq administrator Lt Gen Jay Garner, said “To me that’s what Iraq is for the next few decades. We ought to have something there...that gives us great presence in

the Middle East.”¹⁵⁵ The US has also drafted a Status of Forces Agreement, the same sort the US has with dozens of countries around the world, in order to present the US troops’ continuing stay in Iraq as a deal between two sovereign countries.¹⁵⁶ As was the case in the Philippines, it is expected that concurrence with this agreement will be a condition for any local Iraqis wanting US support for their political ambitions.

Like missiles directly aimed at any Iraqi government, the presence of the US-led coalition will serve to threaten and restrain any Iraqi government’s ambitions. Asked what the Bush administration would do if the transition government start doing things inimical to US interests, a State Department official cryptically said, “We have to make our views known in the way that we do around the world.”¹⁵⁷ Such will be the enduring relationship between the US and the Iraqi government. One US official summed it up, saying that although Iraqis were “the ultimate determinants of their own destiny... we have 140,000 troops here, and they’re getting shot at. We’re also spending a lot of money. We don’t dictate action plans. But we constantly remind them that we’re working toward the same goal, and we have our ‘red lines.’”¹⁵⁸ The US will ensure that, in case the laws and institutions falter or the Iraqis cross the lines, Iraq’s neo-liberal regime will endure as it was created: by force. ■

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¹⁵⁰ Zaid al-Ali, “The IMF and the Future of Iraq,” Middle East Report Online, December 7, 2004

¹⁵¹ IMF Country Report No.4/325, September 2004; Borzou Daragahi, “Iraqis Look at Cuts in Payroll,” Los Angeles Times, June 6, 2005

¹⁵² Naomi Klein, “Baghdad: Year Zero,” Harper’s Magazine, September 2004

¹⁵³ Todd Eastham, “Powell: US to Command Post-July 1 Iraqi Troops,” Reuters, May 16, 2004

¹⁵⁴ Julian Borger, “Iraq elections: US debate focuses on plan B – to stay on or to go?,” The Guardian, January 29, 2005; Christine Spolar, “14 ‘enduring’ bases set in Iraq; Long-term Military Presence Planned,” Chicago Tribune, March 23, 2004

¹⁵⁵ Amy Svitak Klamper, “Garner Sees Iraq as Long-Term Military Outpost in the Middle East,” National Journal’s Congress Daily, February 6, 2004

¹⁵⁶ Eli Lake, “Broad Latitude is Recommended for US’ Military’s Stay in Iraq,” New York Sun, February 3, 2005

¹⁵⁷ Walter Pincus, “Limited Sovereignty for Iraq is Described” Washington Post, April 23, 2004

¹⁵⁸ Paul Richter and Ashraf Khalil, “US Moves to Reassert Itself in Iraq Affairs,” Los Angeles Times, May 20, 2005