

Rebuilding Iraq: 1/05 – 4/05

“The arrival in 2003 freed Iraqis from Saddam, but not from their own suspicions and grievances. It had been a victory of foreigners”¹. George Packer reveals in a single phrase the background that continues to haunt the US led occupation in Iraq. Though elections were relatively successful in January and violence-based insurgency has subsided, the typical Iraqi has seen little results apart from perceived foreign involvement in its sovereign affairs. The past four months have been a continued deviation towards Iraqi dependency on international economic aid and military support for political stability, instead of pursuing self-determining policies that will allow Iraq to operate successfully and autonomously.

The biggest step since January has been the elections, with the consequential seating of 275 members of the transitional National Assembly. On April 6th, they elected Jalal Talabani, a Kurd, as president, and two vice presidents who are Shiite and Sunni². These three men named Ibrahim al-Jaafari, a Shiite leader of the Dawa Islamiya Party, as prime minister who will now recommend a cabinet that will be approved by a vote in the assembly. Notable is the inclusion of all three major ethnic groups of Iraq in positions of power in the new government, though Jaafari is an advocate of an Islamic government. The primary goal of this transitional government is to write a permanent constitution by the August 15th deadline, though commentators have noted this may be extended given the delay in forming a new government.

¹ Packer, George. Page 10.

² *Q&A: The Iraqi Government's Next Steps*. Page 1.

The insurgency has been the primary target of current efforts, particularly in insuring a smooth election process. This was primarily delivered and U.S. forces have seen a marked decrease in casualty levels following the January 30th elections. Attacks against U.S. forces have dropped by twenty-two percent and March's figure of forty American soldiers killed was the lowest casualty rate in more than a year³. Accordingly, the New York Times reports that these signs have encouraged a possible pull out by the Pentagon of one third of the 142,000 troops in Iraq⁴. However, such statistics may be misleading as attacks against Iraqi security forces and 'collaborating' civilians are up. The vulnerability of both, who are necessities for future stability, would only increase as US troops formulate and execute withdrawal from Iraq. Recent attacks have included a suicide bombing targeting ex-Prime Minister Allawi, nineteen Iraqi security forces found in a soccer stadium, and the downing of a commercial helicopter over western Baghdad. Such attacks have come in a more large-scale nature where insurgent forces attack government forces, departing from the hit and run tactics that marked previous strategies. Though this evolution to attack both civilians and government forces is not strictly along traditional lines of Maoist insurgency, military officials consider this the third phase, which involves larger conventional force-on-force attacks against the government in charge⁵.

The progression of a stable, self-governed economy is the silent partner in the possibility of a stable Iraq. Currently, policy has been successful in stabilizing

³ *Q&A: Change in Tactics for Iraqi Insurgency?* Page 3.

⁴ *Q&A: Change in Tactics for Iraqi Insurgency?* Page 3.

⁵ *Q&A: Change in Tactics for Iraqi Insurgency?* Page 3.

currency and credit, but Iraq officially has a twenty-eight percent unemployment rate surveyed by the Ministry of Planning⁶. But even within these figures, they hide the fact that much generated employment since the invasion is related to aid, occupation, and security jobs ‘with no stable impact on the economy’⁷. The reliance on cyclical employment creates a situation where job stability is dependent on current situations, instead of investing skills into more stable fields, like industry and service.

Foreign aid has been limited to the sphere of security, infrastructure, and for the elections, if distributed at all. Of the \$18.4 billion in aid, the Program Management Office has committed \$7.6 billion and spent only \$333 million⁸. Foreign investment has been strong but limited, as companies are hesitant to hire local workers in fear of sabotage, and are often bringing cheap labor from India and Pakistan. With high unemployment rates and stagnating investment, the failure of development has left the door open for insurgency, unrest, and the reliance on black markets and criminality for everyday life.

The failure to reconstruct Iraq and provide even basic services like electricity or water continues to be detrimental to development plans. The Americans have allocated \$18.4 billion for reconstruction in Iraq, but an official in the public works ministry says more than 70 percent of the money his ministry was originally granted has now been reallocated to spending on defense and security⁹. Even with this increase in funding for security, electricity workers recently held a demonstration to

⁶ Cordesman, Anthony. *Figures Indicating*. Page 2.

⁷ Cordesman, Anthony. *Figures Indicating*. Page 3.

⁸ Cordesman, Anthony. *Figures Indicating*. Page 2.

⁹ Hawley, Caroline. Page 2.

denounce violence and sabotage that has led to many of their colleagues' deaths¹⁰. Claude Bolton, Assistant Secretary of the Army, stated in a March 4th press brief that two-thirds of the planned 3000 construction projects have begun¹¹. Ironically, in a Department of Defense news briefing, General Bostick partially attributed the failure to provide enough electricity to increased average demand in electricity from 5,000 to 8,000 megawatts. This, in his view, was a result of the democracy and freedom opened up for Iraqi's to buy 'televisions and air conditioners'¹².

“USAID supports sustainable economic reforms in Iraq including examining and reforming laws, regulations, and institutions and providing a framework for private sector trade, commerce, and investment. The reforms will strengthen the Central Bank and the Ministries of Finance, Trade, Commerce and Industry— among others.”¹³ USAID, the foreign aid federal organization, in their statement regarding Iraqi economic self-governance, reveal the flaws that continue to plague the economic recovery effort. Many in the US continue to believe that the undeveloped private sector is the key to promoting expansion. But this ignores the need for governmental involvement in stabilizing the labor market by providing a large amount of employment opportunities in a country lacking positions for the educated and uneducated. In the years it will take for Iraq to enjoy a Western style business environment, unrest created by economic failures could end the chance for democracy and stability.

¹⁰ Hawley, Caroline. Page 1.

¹¹ *Focus on Iraq*, March 4, 2005. Page 1.

¹² *Focus on Iraq*, March 4, 2005. Page 6.

¹³ USAID, Page 1.

The transitional effort in economic recovery was led by a classical economic belief that has yet to be updated by the transitional government. The legal framework put in place by Paul Bremer has put Iraq into an ultra-capitalist, free-market structure. Orders 37 and 49 slash top tax rates from 45 percent to 15 percent - one of the lowest rates in the world. Order 54 abolishes all duties on imports to Iraq, apart from a 5 percent reconstruction levy and Order 39 allows 100% foreign ownership of Iraqi companies except in the oil, gas and banking sectors¹⁴. These rules have been called a ‘corporate invasion’ by commentators like Becky Branford¹⁵. However, such laws are not irreversible and can be changed by a simple majority by the transitional government.

The past four months have been a continuation of previous mind-sets that have over-extended and exposed Iraqi security forces, limited the reach of reconstruction and financial aid, and failed to provide a secure Iraq environment. In Caroline Hawleys words, “In most areas there is little visible sign of reconstruction and residents across the city have power for half the day at most. Look around the Iraqi capital, and the most obvious change over the past two years has been the mushrooming of concrete anti-blast barriers.” Indeed, reconstruction has been as much imagination as reality. The pursuit of short-term goals with short-term solutions has undermined the long run objectives of removing coalition troops because they were no longer needed.

¹⁴ Branford, Becky. Page 1

¹⁵ Branford, Becky. Page 1.

References

- Anderson, Jon Lee. "Q&A: Iyad Allawi." *The New Yorker*, January 31, 2005.
- Branford, Becky. "US legal legacy on Iraqi Economy." *BBC News*, April 15, 2005.
http://news.bbc.co.uk/2/hi/middle_east/4417759.stm
- Benjamin, Mark. "How many have gone to war?". *Salon*, April 12, 2005.
http://www.salon.com/news/feature/2005/04/12/troops_numbers/index.html
- Cordesman, Anthony. "Figures Indicate Challenging Transition Ahead in Iraq." *CSIS*, April 12, 2005
- Cordesman, Anthony. "Resources versus Strategy and Force Transformation: Iraq and the Challenges of the American Overstretch." *CSIS*, April 12, 2005.
- Council on Foreign Relations. "Q&A: Change in Tactics for Iraqi Insurgency?" *New York Times*, April 7, 2005.
http://www.nytimes.com/cfr/international/slot1_041205.html
- Council on Foreign Relations. "Q&A: The Iraqi Government's Next Steps". *New York Times*, April 7, 2005.
http://www.nytimes.com/cfr/international/slot3_040705.html
- Embassy of the United States of America. "Focus on Iraq". February 17 2005, March 4 2005, March 28 2005.
- Hawley, Caroline. "Iraq blighted by poor services". *BBCNews*, April 12, 2005.
http://news.bbc.co.uk/2/hi/middle_east/4414291.stm
- Hertzberg, Hendrik. "Landmarks". *The New Yorker*, February 14, 2005.
http://www.newyorker.com/printables/talk/050214ta_talk_hertzberg
- Packer, George. "Letter from Basra: Testing Ground." *The New Yorker*, February 28, 2005. http://www.newyorker.com/printables/fact/050228fa_fact
- Steele, Jonathan. "Don't be fooled by the spin". *Salon*, April 13, 2005.
http://www.salon.com/opinion/feature/2005/04/13/iraq_occupation/
- USAID. "Economic Governance: Assistance for Iraq."
<http://www.usaid.gov/iraq/accomplishments/econgov.html>