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Corruption, Reconstruction and Oil Governance in Iraq

Philippe Le Billon

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Notes

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See 'Wolfowitz interview with Sam Tannenhaus, Vanity Fair', United States Department of Defense, 9 May 2003; and US Presidential addresses dated 10 April 2003, 9 February 2004, 10 April 2004 and 1 May 2004 from the US Office of the Press Secretary, at www.whitehouse.news/releases.

GW Bush, 'Freedom and the future', speech at the American Enterprise Institute, 26 February 2003; and PH Gordon, 'Bush's Middle East vision', *Survival*, 45 (1), 2003, pp 155-165. On the US geopolitical discourse linking oil and 'freedom', see P Le Billon & F El Khatib, 'From free oil to "freedom oil": terrorism, war and US geopolitics in the Persian Gulf', *Geopolitics*, 9 (1), 2004, pp 109-137.

See R Williams, 'New concepts for old?', *Third World Quarterly*, 20 (3), 1999, pp 487-489. Corruption is defined here as the 'abuse of public office or entrusted power for private gain'.

M Johnston, 'Corruption and democratic consolidation', paper presented at the conference on Historical Studies, Iraq has reserves of 200 billion barrels of oil & gas. See R Ch... Washington Post, 19 Jun... I Ward... de the pursuit of a neo... assets to political rule. See M Jo... Comparative Politics, 18 (4), 1986, pp 459-477.



A review of the different forms of corruption falls beyond the scope of this paper. See S Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform*, Cambridge: Cambridge University Press, 1999; and AK Jain, 'Corruption: a review', *Journal of Economic Surveys*, 15 (1), 2001, pp 71-121.

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A relationship of causality is to be noted between the two as the long-term impact of stable patterns of corruption-based patronage often contributed to the (violent) downfall of these regimes. See P Bardhan, 'Corruption and development: a review of issues', *Journal of Economic Literature*, 35, 1997, pp 1320-1346; C Freeland, *Sale of the Century: Russia's Wild Ride from Communism to Capitalism*, New York: Crown Publishing, 2000; and P Le Billon, 'Buying peace or fuelling war: the role of corruption in armed conflicts', *Journal of International Development*, 15, 2003, pp 413-426.

Johnston, 'Corruption and democratic consolidation'. As Johnston and many authors suggest, for example, the economic growth of the 1990s was not a result of the economic liberalization of the 1990s, but rather a result of the economic liberalization of the 1990s. See Johnston, 'Corruption and democratic consolidation', pp 25-52. As Johnston and many authors suggest, for example, the economic growth of the 1990s was not a result of the economic liberalization of the 1990s, but rather a result of the economic liberalization of the 1990s.

L McQuinn, *The Economics of Corruption*, London: Routledge, 2000; and Johnston, 'Corruption and democratic consolidation', pp 25-52. As Johnston and many authors suggest, for example, the economic growth of the 1990s was not a result of the economic liberalization of the 1990s, but rather a result of the economic liberalization of the 1990s.

On the other hand, the abundance of natural resources in the mining sector, as Ross (1999) and Ross (2001) argue, has led to a 'resource curse' in many developing countries. Ross (1999) and Ross (2001) argue that the abundance of natural resources in the mining sector, as Ross (1999) and Ross (2001) argue, has led to a 'resource curse' in many developing countries. Ross (1999) and Ross (2001) argue that the abundance of natural resources in the mining sector, as Ross (1999) and Ross (2001) argue, has led to a 'resource curse' in many developing countries.



R Marques, cited in P Salopek, 'CEOs of war bleed Angola', Chicago Tribune, 2 April 2000.

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Ross, 'Extractive sector and the poor', p 16.

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Financial obligations included debt (\$127 billion), war reparations (\$199 billion) and pending contracts (\$57 billion). This amount did not include about \$100 billion of war compensation claims by Iran. See 'A wiser peace: an action strategy for a post-conflict Iraq. Supplement I: background information on Iraq's financial obligations', Washington, DC: Center for Strategic and International Studies, 23 January 2003.

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'Statement of the Committee on the Arms and International Trade Administration, U.S. House of Representatives', 24 September 2002, <http://foreignaffairs.house.gov>

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Abdul Jabbar al-Bakr, 'The Oil Industry in Iraq', Middle East Journal, 1962, p. 1

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Among the most controversial—and most widely reported in the Western press—were the access of cleric Moqtada al Sadr to pilgrims' donations to the shrine of Imam Ali in Najaf, and accusations against Salem Chalabi—the director general of the Iraqi special tribunal for crimes against humanity—concerning the murder a Ministry of Finance official reporting on government property illegally seized by the party of Chalabi's family, the Iraqi National Congress. See B Whitaker & M Howard, 'Wanted for murder of finance official', *Guardian*, 10 August 2004.

R Rageh, 'Iraqis: corruption still exists in Iraq', *Associated Press*, 10 August 2004.

A list of 270 names was initially published in the Iraqi newspaper *Al Mada*, 25 January 2004. See also 'Friends of Saddam' website, at <http://www.acepilots.com/unscam/>.

See Interim Report of the Independent Inquiry into the United Nations Oil-for-Food Programme, 3 February 2005; C Rosett, 'The oil-for-food scam: what did Kofi Annan know, and when did he know it?', *Commentary Magazine*, 16 April 2004; and C Rosett, 'Sources of revenue for Saddam and sons: a primer on the financial underpinnings of the regime in Baghdad', Washington, DC: Coalition for International Justice, September 2002.

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regime. 'Development Fund for Iraq: financial reporting matrix', Coalition Provisional Authority, at http://www.cpa-iraq.org/budget/DFI_26jun2004.xls.

icg, Reconstructing Iraq.

Budgets were considered highly confidential under the regime of Saddam Hussein; the oil-for-food programme failed to provide public accounts of the contracts involved. Rosett, 'The oil-for-food scam'.

'Duty to the future: free Iraqis plan for a new Iraq', at <http://usinfo.state.gov/products/pubs/dutyiraq/dutyiraq.pdf>, posted April 2003. For a critique of 'pre-war reconstruction', see R Mac Ginty, 'The pre-war reconstruction of post-war Iraq', *Third World Quarterly*, 24 (4), 2003, pp 601-617.

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Coalition Provisional Authority Regulation No 3, 18 June 2003.

This policy, however, was not extended to the oil sector—at least in public declarations by the US government—probably for fear of confirming Iraqi public opinion that the US and UK had invaded Iraq for its oil. See Section 6.1, Coalition Provisional Authority Order No 39, 19 September 2003.

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June 2004; and Regulation no 11 (CPA/REG/18 June 2004) seeking to secure outstanding

contracting liability under the dfi beyond 30 June 2004, at the cpa website, accessed 18 August 2004. At least an additional \$1.1 billion in frozen Iraqi assets held by non-US UN members could be released to the Iraqi government.

SR Weisman, 'US is quietly spending \$2.5 billion from Iraqi oil revenues to pay for Iraqi projects', New York Times, 21 June 2004.

Arguably the Iraqi budget will benefit from a continued oil revenue stream, while donor commitments are bounded in time (2003-07/08).

For example, Deputy Defense Secretary Paul Wolfowitz emphasised to Congress that: 'There's a lot of money to pay for this [reconstruction] that doesn't have to be US taxpayer money, and it starts with the assets of the Iraqi people'. House Committee on Appropriations Hearing on a Supplemental War Regulation, 27 March 2003, emphasis added.

Only \$140 million had been budgeted from US appropriated funds for this purpose and the Commander's Emergency Response Program was essentially financed by Iraqi funds.

J Chaffin, 'Focus on Halliburton masks deeper problems with Iraq contracts', Financial Times, 30 March 2004; Windfalls of War project, Center for Public Integrity, at

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E Kubba, 'Iraq reconstruction contracts', Financial Times, 24 June 2004, p 11.

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The delay in its creation was the result of sharp disagreement over the extent of its mandate between the CPA and IAMB members (the UN, World Bank, IMF, and Arab Fund for Economic and Social Development). Press releases from <http://www.iamb.info/pressrel.htm>; and 'Racing the deadline: the rush to account for Iraq's public funds', Revenue Watch 6, Open Society Institute, April 2004.

Many fear that only administrative sanctions will be taken against offenders and that contracted companies will only undertake minimal repayment for over-pricing and other frauds.

Coalition Provisional Authority Order No 59, 1 June 2004.

D Haynes, 'New watchdog to sniff out corruption in Iraq', Agence France Press, 20 June 2004; and ICG, Reconstructing Iraq.

Coalition Provisional Authority Order No 77, 18 April 2004. This move was seen by some as a delaying mechanism to protect the reputation of the UN from the oil-for-food programme scandal until UN-supervised elections could be undertaken. See B Pisik, 'Iraq oil probe to take many months', Washington Times, 28 May 2004; and M Rubin, 'The growing gap. Bremer has alienated Iraqis', National Review Online, 21 May 2004.

Many critics question the 'sovereignty' of interim Iraqi authorities, pointing to continued reliance on the US and UK.

Allawi, however, has been accused of being a puppet of the US and Britain.

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Iraq: breaking the resource curse', Briefing 5, Iraq Revenue Watch, New York, 2003.

The Transitional Iraqi Government (post-elections in early 2005) can request the UN Security Council to review this policy. UNSC S/RES/1546, 8 June 2004.

See Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 21 November 1997; and www.eitransparency.org/.

See T Mitchell, 'McJihad: Islam in the US global order', *Social Text*, 73, 20(4), 2002, pp 1-18.

Additional information

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