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Corruption, Reconstruction and Oil Governance in Iraq

Philippe Le Billon

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Abstract

With the world's second largest oil reserves, Iraq is potentially a very prosperous country. Like many other oil-dependent countries, however, Iraq's recent history points to a pattern of authoritarianism, corruption and violence. The US administration has portrayed its occupation of Iraq as an effort to break with this pattern and ensure democracy, security and a shared prosperity for Iraqis. This article engages with the challenges of oil governance and reconstruction in Iraq, focusing on the role of

corruption and the legacy of the Iraqi regime.

oil dependent countries may once have been a source of economic growth and development, but they are now becoming a source of economic and political instability.

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Notes

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On the other hand, the programme was suspended in 2003, following the suspension of the UN Security Council Resolution 1483, which provided for the continuation of the programme.

Sierra Leone, see *The International Law of the Sea*, 1982, at 31.

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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.

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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.

Employees of state companies fearing lay-offs and Iraqi businessmen fearing foreign competitors also resented it (although many welcomed the facilitation of foreign investment). For a review of criticisms, see R Looney, 'Neoliberalism in a conflict state: the viability of economic shock therapy in Iraq', *Strategic Insights*, 3 (6), June 2004; S Mulugeta, 'Reform concerns: changes have Iraqi workers nervous' *Newsday*, 14 December 2003; and Klein, 'Baghdad year zero'.

Besides the 400 000 people who lost their Iraqi army job, up to 30 000 high-ranking Ba'ath party members were initially fired from public jobs, with about 12 000 subsequently re-hired. J Steele, 'US decree strips thousands of their jobs', *Guardian*, 30 August 2003.

If about 100 000 people lost their jobs, much of the controversy was committed in the last 5 years, giving away oil revenue. New York, June 2003, outstanding contract accessed 18

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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 www.publicintegrity.org; and TF Armistead, ‘Halliburton reveals \$6-million overcharge in alleged Iraq corruption’, Engineering News-Record, 23 January 2004.

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The delay in the release of the mandate to the Arab Fund

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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 US security, policy advisers and funds. The interim prime minister, Ayad Allawi, has long had connections with the cia and mi6, and purveyed some of the (dubious) intelligence upon which the war on Iraq was justified by the USA and Britain. See press reports at www.sourcewatch.org.

Tripp, A History of Iraq.

Rigaud, ‘Irak’, p 19, translation by the author.

J Thierney, ‘The struggle for Iraq: Iraq's wealth; a popular idea: give oil money to the people rather than the despots’, New York Times, 10 September 2003; and TI Palley, ‘Combat the case for the viability of the oil-for-food programme’, New York Times, 10 September 2003.

Critiques of the oil-for-food programme have been given. The programme could not be reformed. Iraq: bre

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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.

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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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