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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

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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 'Democracy and Corruption' Shelby Cullom Davis Center for Historical Studies, Princeton University, 12 March 1999 (revised June 2000), p 6.

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See R Chazan, 'Iraq's oil reserves: a new reality', *Washington Post*, 19 June 2003.

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See M Johnston, 'Corruption and democratic consolidation', *Comparative Politics*, 18 (4), 1986, pp 459-477.



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Johnston, 'Corruption and democratic consolidation'. As Johnston and many authors suggest, the context is not limited to these two dimensions and also includes for example socio-cultural factors. See, for example, JP Olivier de Sardan, 'A moral economy of corruption in Africa', *Journal of Modern African Studies*, 37 (1), 1999, pp 25-52. A discussion of the cultural embeddedness and social norms influencing corruption

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

C Leite & J Weidmann, 'Does mother nature corrupt? Natural resources, corruption, and economic growth', imf Working Paper WP/99/85, Washington, DC: imf, 1999; MD Shafer, *Winners and Losers: How Sectors Shape the Development Prospects of States*, Ithaca, NY: Cornell University Press, 1994; TL Karl, *The Paradox of Plenty: Oil Booms, Venezuela, and other Petro-states*, Berkeley, CA: University of California Press, 1997; and Ross, 'Does oil hinder democracy?'

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'Statement by Dr Isam al Khafaji before the US Senate Foreign Relations Committee', 24 September 2003, p 2, at <http://foreign.senate.gov/testimony/2003/KhafajiTestimony030924.pdf>.

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F Rigaud, 'Iraq'; and A Baram, 'Neo-tribalism in Iraq: Saddam Hussein's tribal policies 1991-1996', *International Journal of Middle East Studies*, 29 (1), 1997, pp 1-31.

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/>.

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Interim Report of the Independent Inquiry into the United Nations Oil-for-Food Programme, p 4.

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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.

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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.

See icg, *Reconstructing Iraq*.

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...

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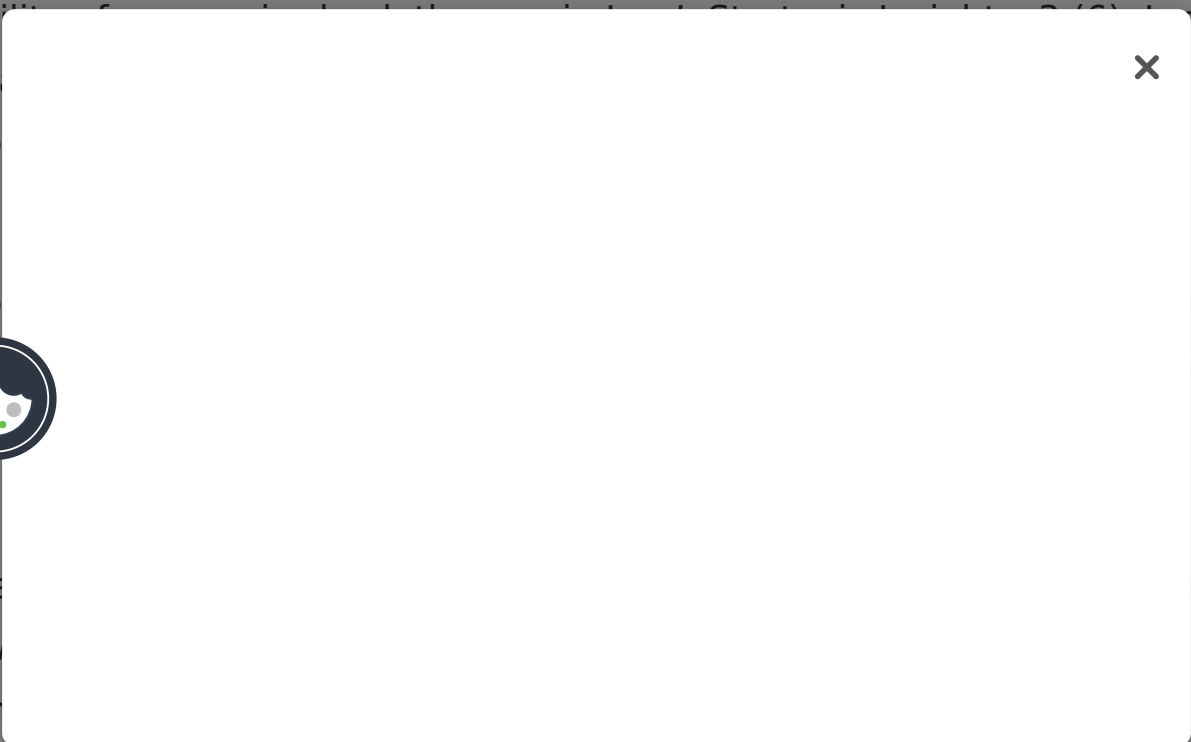
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June 2004; and Regulation no 11 (CPA/REG/18 June 2004) seeking to secure outstanding



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 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 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 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.coursewatch.org.

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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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