

Rebuilding Iraq won't be easy, but it will be profitable

By William R. Polk

The military campaign fought by the British and American forces in Iraq was designed to “shock and awe” the Iraqi government, army and people into rapid surrender with minimum casualties for the attacking forces. Inevitably, it did great damage to the infrastructure of the cities. Then, in the chaos that followed the collapse of the Iraqi government, mobs of looters completed the task of destruction.

As a result, in almost every aspect of life, services have broken down. In many areas, there is still no electricity; clean drinking water is difficult to find and all water is suspect; treatment of human wastes has virtually ceased so that raw sewage is pumped into the Tigris and Euphrates to contaminate the water supplies of villages, towns and cities down stream. Hospitals have almost no functioning equipment and even few beds. With a population many times the size and with people accustomed to modern services, Iraq has been thrust back into the Nineteenth century.

Critics, both foreign and Iraqi, are pointing out with growing anger that while the military campaign appears to have been planned with great precision, very little attention appears to have been given to what would follow the end of fighting. The growing number of critics have also noted that such attention that was paid to containing violence was highly selective: the oil ministry was carefully protected while museums, electric power stations, sewage treatment plants and even hospitals were virtually totally neglected.

As “shock and awe” have worn off, angers have flared and Iraq appears to be descending into guerrilla warfare. The response of the American army is to crack down hard on communities that are believed to support guerrillas and even on relatively peaceful displays of anger and resentment.

So what will happen?

Before the fighting began, there was a great deal of planning for postwar Iraq. But it was not the kind that Iraqis would have wanted. The American government, as Deputy Secretary of Defense Paul Wolfowitz, the “architect” of the war, has admitted, was very sensitive to the issue that other officials pretended was not a key objective. What he said was that a major motive for the war against Iraq was that Iraq is “swimming” in oil.

Iraq's vast oil reserves – which some experts believe are actually larger even than those of Saudi Arabia and which are certainly cheaper to extract – have certainly been a lure that has attracted foreign involvement for nearly a century. So strong was the lure of oil that even on the eve of the First World War, the British and Germans formed a joint company to exploit deposits known to exist at Kirkuk. Then, after the war, the very shape of Iraq was largely decided by the fact that Britain and France formed a joint venture to extract it. The Turkish government was paid off and agreed to give up what was then an unrelated Ottoman Turkish province to the new, British-controlled, Iraqi state.

Now, the exploitation of oil has taken on somewhat more subtle forms. But oil is still one of the spoils of war. How ultimately it will be sold, for whose benefit and under whose control are questions that are still, at least formally, undecided, although a Texas

businessman by the name of Philip Carroll has been appointed the “oil Czar” of Iraq. A former executive of Fluor Corporation, he still receives about \$1 million a year in retirement benefits and owns shares worth approximately \$35 million in that company. What he will decide to do in his new post is not, so far clear.

What is clear is who will put the industry back into shape to pump oil in large quantities and how oil will be used to repair the broken infrastructure of the country.

Even before the fighting broke out, five major American companies were invited to participate in this work. The actual work on the oil fields was turned over (without competitive bidding) to Halliburton, the company that was, until recently, headed by Vice President Dick Cheney and from which he still, as a government official, receives in what is called “deferred compensation” between \$100,000 and \$1 million annually. The more general contracting work on bridges, airfields, ports, irrigation works and other major facilities has been awarded to Bechtel Corporation, a major contributor to George W. Bush’s campaign for the presidency. Bechtel is one of the most powerful corporations in America with 47,000 employees engaged in about 900 projects all over the world. On its board of directors sits Former Secretary of State George Shultz. A current senior vice president of Bechtel is also a member of the Defense Policy Board, headed until recently by Richard Perle, and 9 of whose 30 members are linked to companies that have received the bulk of the rebuilding contracts.

Those contracts are likely eventually to amount to about \$100 billion. That would make them the most lucrative contracts since the Vietnam war. Bechtel needs the work since its sales fell from about \$23 billion in 1999 to less than \$10 billion in 2001. Congressional criticism of the way the contracts have been awarded is increasing. Democratic Senator Ron Wyden of Oregon has stated that “a troubling pattern is beginning to emerge, as some of the most powerful business interests in the country continue to receive these huge contracts without...open, transparent bidding.”

The Iraqis have a different perspective on criticism of the American activities: they are angry that so little has been done to meet their basic needs and want whoever is awarded the contracts to hurry up with the work. Of course, this is a short-term concern. Predictably, once the immediate needs are met, the Iraqis, like at least some American legislators, will begin to ask why a certain firm to a contract, whether what it was paid was fair, and whether or not Iraqis themselves might not have done the job in an acceptable fashion, for less money and to the long-term benefit of the country.

In May, a Texas businessman by the name of Philip Carroll was assigned to run the Iraq oil industry.

Also complicating the Iraqi attitude toward outsiders arranging their only major natural resources is the fact that, with American help, Israel is seeking to get a pipeline into Iraqi oil fields so that it can buy Iraqi oil at roughly 25% less than it now has to pay for oil from other sources. Because, until the war, the Iraqi government and most of the Iraqi citizens with whom I have talked, regarded Israel as Iraq’s second (after the United States) most dangerous enemy, Iraqis are likely to feel that their resources are being used against their own interests.

These are questions that will emerge time after time, perhaps as often asked from the muzzle of rifles fired by guerrillas – or as we will think of them, as terrorists -- as from the press or through diplomatic exchanges. As the New York Times editorialized,

awards to American corporations “can only add to the impression that the United States seeks to profit from the war it waged.”

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