

Silent War

The US' Ideological and
Economic Occupation of Iraq

FOCUS ON THE GLOBAL SOUTH

FOCUS ON THE GLOBAL SOUTH is
a research and advocacy center
based in Bangkok, Thailand
and with offices in Manila,
Philippines and Mumbai, India.

www.focusweb.org
c/o Chulalongkorn University
Social Research Institute
(CUSRI)
Wisit Prachuabmoh Bldg
Chulalongkorn University
Phyathai Road Bangkok 10330
Thailand
+662 218 7363 to 65
admin@focusweb.org

Silent War

The US' Ideological and Economic Occupation of Iraq

With contributions from:

NICOLA BULLARD

WALDEN BELLO

WILLIAM I. ROBINSON

ALEJANDRO BENDANA

HERBERT DOCENA

MARY LOU MALIG

FOCUS ON THE GLOBAL SOUTH & GRAIN

SHALMALI GUTTAL

A publication of
FOCUS ON THE GLOBAL SOUTH
January 2005

Contents

INTRODUCTION By Nicola Bullard	1
THE ECONOMICS OF EMPIRE By Walden Bello	3
WHAT TO EXPECT FROM US 'DEMOCRACY PROMOTION' IN IRAQ By William I. Robinson	9
NICARAGUA'S AND LATIN AMERICA'S LESSONS FOR IRAQ By Alejandro Bendana	15
SILENT BATTALIONS OF 'DEMOCRACY' HOW THE US IS RECONSTRUCTING IRAQ'S STATE AND SOCIETY By Herbert Docena	19
WAR: TRADE BY OTHER MEANS HOW THE US IS GETTING A FREE TRADE AGREEMENT MINUS THE NEGOTIATIONS By Mary Lou Malig	29
IRAQ'S NEW PATENT LAW: A DECLARATION OF WAR AGAINST FARMERS By Focus on the Global South and GRAIN	35
RECONSTRUCTION: AN EMERGING PARADIGM By Shalmali Guttal	39
About the Contributors	53

Silent War

The US' Economic and Ideological Occupation of Iraq

BY NICOLA BULLARD

The US has always promoted its strategic and economic interests by exalting its own political and economic model of liberal democracy and market capitalism as superior to all else, and when others disagree, they readily resort to covert or overt force to make the point.

The principal difference over the years has been the relative balance between isolationism and internationalism, and unilateralism and multilateralism. In the past, pragmatism, bipartisanship and a lingering sense of moral responsibility (as opposed to moral superiority) has guided, and to some extent constrained, the stance adopted by the US. In the era of George W. Bush, though, it seems there are no limits to the means the US will use to secure its interests, most recently and bloodily in its illegal invasion and occupation of Iraq. Walden Bello sees this as a sign of an Empire “on the ropes” as he argues in the first article of this collection.

This selection of articles focuses on the US’ ideological and economic occupation of Iraq: a form of occupation that may well outlast its military presence. Using its own agencies such as USAID and foundations such as the National Endowment for Democracy, or by sub-contracting to private companies like the Research Triangle Institute, the US has systematically set about promoting its own model of liberal democracy through training “community leaders”, publishing school books, funding NGOs and running “democracy” workshops, while at the same time systematically banning and marginalising other political and civil formations. This is nothing new.

The pattern emerging in Iraq, as revealed in the article by Herbert Docena, has been tried and tested elsewhere, as Alejandro Bendana and William Robinson describe in their articles about Latin America.

Beyond the imposition of ballot box democracy, the US has also used its position as occupier to restructure the Iraqi economy into a paragon of open borders and free markets at least on paper. Using the powers he assumed as head of the Coalition Provisional Authority, L. Paul Bremer signed-off on a raft of economic laws that create the framework for a neo-liberal paradise, including the expropriation of intellectual property rights, as described in the article by Grain and Focus on the Global South, and a foreign direct investment regime that gives extraordinary benefits to foreign capital. Through fiat, the US has achieved concessions far in advance of anything that Iraq as a sovereign nation would be obliged to accept through the WTO or bi-lateral investment treaties. As Marylou Malig says in her article, the US has gained a free trade agreement without the bother of negotiations. The historical term "uneven treaty" takes on a whole new meaning on the context of Iraq.

The final article in this collection, by Shalmali Guttal, looks at post-conflict "reconstruction" experience in countries as diverse as Haiti, Cambodia, and Iraq. The emerging pattern is of an overtly political process which takes place squarely within the neo-liberal economic paradigm and the US model of liberal democracy. Almost inevitably, these efforts both create and perpetuate existing inequalities, sometimes spiralling into the very problem of "governance failure" that it seeks to remedy in the first instance. In spite of the rhetoric, vital questions of sovereignty, democracy, and self-determination are completely ignored in the new reconstruction paradigm.

The durability of attempts to re-structure Iraq's economic and political landscape seem rather fragile given the almost universal opposition to the occupation and in the light of the resounding failure of other "reconstruction" adventures. However, given that success in Iraq is central to George W. Bush's imperial worldview, and the proven inability of the dominant class to learn from their mistakes, they are not about to give up quickly or quietly. ■

The Economics of Empire

How the crisis of the globalist project pushes the US towards unilateralism

BY WALDEN BELLO

In 1995, the World Trade Organization was born. The offspring of eight years of negotiations, the World Trade Organization (WTO) was hailed in the establishment press as the gem of global economic governance in the era of globalization. The nearly 20 trade agreements that underpinned the WTO were presented as a set of multilateral rules that would subject both the powerful and the weak to a common set of rules backed by an effective enforcement apparatus. In the WTO, it was claimed, the powerful United States and lowly Rwanda had exactly the same number of votes: one.

THE CRISIS OF THE GLOBALIST PROJECT

Now the triumphalism of those earlier years is gone. As the fifth Ministerial of the WTO approaches, the organization is in gridlock. A new agreement on agriculture is nowhere in sight as the United States and the European Union stoutly defend their multibillion dollar subsidies. Brussels is on the verge of imposing sanctions on Washington for maintaining tax breaks

for exporters who have been found to be in violation of WTO rules. Meanwhile, Washington has threatened to file a case with the WTO against the European Union's (EU) moratorium on genetically modified foods.

Developing countries, some once hopeful that the WTO would in fact bring more equity to global trade, unanimously agree that most of what they have reaped from WTO membership are costs, not benefits. Instead of heralding a new round of global

trade liberalization, the Cancun ministerial is likely to announce a stalemate.

What happened? In a word, Empire. It turns out that globalization and U.S. unilateralism don't mix. But first, some notes on globalization and the globalist project.

Globalization is the accelerated integration of capital, production, and markets globally, a process driven by the logic of corporate profitability. It is defined by the ideological hegemony of neoliberalism, which focuses on "liberating the market" through privatization, deregulation, and trade liberalization. There were, broadly, two versions of neoliberal ideology—a "hard" Thatcher-Reagan version and a "soft" Blair-Soros version (globalization with "safety nets"). But underlying both approaches was the unleashing of market forces, and the removing or eroding of constraints imposed upon transnational firms by labor, the state, and society.

THREE MOMENTS OF THE CRISIS OF GLOBALIZATION

There have been three moments in the deepening crisis of the globalist project.

The first was the Asian financial crisis of 1997. This event, which laid low the proud "tigers" of East Asia, revealed that one of the key tenets of globalization—the liberalization of the capital account to promote freer flows of capital, especially finance or speculative capital, could be profoundly destabilizing. This was clearly shown when, in just a few weeks' time, one million people in Thailand and 21 million in Indonesia were pushed below the poverty line.¹

The Asian financial crisis was the "Stalingrad" of the International Monetary Fund (IMF), the prime global agent of liberalized capital flows. Its record in the ambitious enterprise of subjecting some 100 developing economies to "structural adjustment" was found sorely wanting. Structural adjustment programs were designed to accelerate deregulation, trade liberalization and privatization. Almost everywhere, however, they resulted in economic stagnation, and increased poverty

and inequality.

Shortly after the Asian financial crisis, key intellectual defenders of the neoclassical free market model began leaving the fold—among them Jeffrey Sachs, noted earlier for his advocacy of "free market" shock treatment in Eastern Europe in the early 1990's; Joseph Stiglitz, former chief economist of the World Bank; Columbia Professor Jagdish Bhagwati, who called for global controls on capital flows; and financier George Soros, who condemned the lack of controls in the global financial system that had enriched him.

The second moment of the crisis of the globalist project was the collapse of the third ministerial of the WTO in Seattle in December 1999. Seattle was the fatal intersection of three streams of discontent and conflict that had been building for sometime:

- Developing countries resented the inequities of the Uruguay Round agreements that they felt compelled to sign in 1995.
- Massive popular opposition to the WTO emerged globally from myriad sectors of global civil society, including farmers, fisher folk, labor unionists, and environmentalists. By posing a threat to the well being of each sector in many of its agreements, the WTO managed to unite global civil society against it.
- There were unresolved trade conflicts between the EU and the United States, especially in agriculture, which had been simply been papered over by the Uruguay Round agreement.

These three volatile elements combined to create the explosion in Seattle. The developing countries rebelled against the Northern diktat at the Seattle Convention Center; 50,000 people massed militantly in the streets; and the differences prevented the EU and the United States from acting in concert to salvage the ministerial. In a moment of lucidity right after the Seattle debacle, British Secretary of State Stephen Byers captured the essence of the crisis: "[T]he WTO will not be able to continue in its present form. There has to be fundamental and radical change in order for it to meet the needs and aspirations of all 134 of its members."²

The third moment of the crisis was the collapse of the stock market and the end of the Clinton boom. This was not just the bursting of the bubble but a rude reassertion of the classical capitalist crisis of overproduction, the main manifestation of which was massive overcapacity. Prior to the crash, corporate profits in the United States had not grown since 1997. The crash was related to overcapacity in the industrial sector, the most glaring example being in the troubled telecommunications sector, where only 2.5 percent of installed capacity globally was being utilized. This stagnation of the real economy led to capital being shifted to the financial sector, resulting in the dizzying rise in share values. But since profitability in the financial sector cannot deviate too far from the profitability of the real economy, a collapse of stock values was inevitable. This occurred in March 2001, leading to prolonged stagnation and the onset of deflation.

THE NEW ECONOMICS OF GEORGE W BUSH

The crisis of globalization, neoliberalism, and overproduction provides the context for understanding the economic policies of the Bush administration, notably its unilateralist thrust. The globalist corporate project expressed the common interest of the global capitalist elites in expanding the world economy and their fundamental dependence on one another. However, it did not eliminate competition among the national elites. In fact, the ruling elites of the United States and Europe had factions that were more nationalist in character as well as more tied for their survival and prosperity to the state, such as the military-industrial complex in the United States. Indeed, since the eighties, there has been a sharp struggle between a section of the ruling elite stressing the common interest of a global capitalist class, and the more nationalist faction that wanted to ensure the supremacy of U.S. corporate interests.

As Robert Brenner has pointed out, the policies of Bill Clinton and his treasury secretary Robert Rubin put prime emphasis on the expansion of the world economy as

the basis of the prosperity of the global capitalist class. For instance, in the mid-1990's, they pushed a strong dollar policy to stimulate the recovery of the Japanese and German economies, so that they could serve as markets for US goods and services. The earlier, more nationalist Reagan administration, on the other hand, had employed a weak dollar policy to regain competitiveness for the U.S. economy at the expense of the Japanese and German economies.³ With the George W. Bush administration, we are back to the weak dollar and other economic policies that are meant to revive the U.S. economy at the expense of the other center economies. Several features of this approach are worth stressing:

- Bush's political economy is very wary of a process of globalization that is not managed by a U.S. state, to ensure that the process does not diffuse the economic power of the United States. Allowing the market solely to drive globalization could result in key U.S. corporations becoming the victims of globalization. Thus, despite the free market rhetoric, we have a group that is very protectionist when it comes to trade, investment, and the management of government contracts. It seems that the motto of the Bushites is protectionism for the United States and free trade for the rest.
- The Bush administration is wary of multilateralism as a way of global economic governance since while multilateralism may promote the interests of the global capitalist class in general, it may often contradict particular U.S. corporate interests. The Bush coterie's growing ambivalence towards the WTO stems from the fact that the United States has lost a number of rulings there, rulings that may hurt U.S. capital but serve the interests of global capitalism as a whole.
- For the Bush people, strategic power is the ultimate modality of power.

Economic power is a means to achieve strategic power. This is related to the fact that under Bush, the dominant faction of the ruling elite is the military-industrial establishment that won the Cold War. The conflict between globalists and unilateralists

(or nationalists) along this axis is shown in the approach toward China. The globalist approach puts the emphasis on engagement with China, seeing its importance primarily as an investment area and market for U.S. capital. The nationalists, on the other hand, see China mainly as a strategic enemy, and they would rather contain it rather than assist its growth.

If these are seen as the premises for action, then the following prominent elements of recent U.S. economic policy make sense:

- **Achieving control over Middle East oil.** While it did not exhaust the war aims of the administration in invading Iraq, it was certainly high on the list. With competition with Europe becoming the prime aspect of the trans-Atlantic relationship, this was clearly aimed partly at Europe. But perhaps the more strategic goal was to preempt the region's resources in order to control access to them by energy poor China, which is seen as the United States's strategic enemy.⁴
- **Aggressive protectionism in trade and investment matters.** The US has piled up one protectionist act after another. One of the most brazen is its stymieing of WTO negotiations over vital matters of public health. On behalf of the powerful pharmaceutical lobby, it staunchly resists the loosening of patent rights to drugs on all but three diseases. While it seems perfectly willing to see the WTO negotiations unravel, Washington has put most of its efforts into signing up countries to bilateral or multilateral trade deals such as the Free Trade Agreement of the Americas (FTAA) before the EU gets them into similar deals. Indeed the term "free trade agreements" is a misnomer since these are actually preferential trade deals.
- **Incorporating strategic considerations into trade agreements.** In a recent speech, U.S. Trade Representative Robert Zoellick stated explicitly that "countries that seek free trade agreements with the United States must pass muster on more than trade and economic criteria in order to

be eligible. At a minimum, these countries must cooperate with the United States on its foreign policy and national security goals, as part of 13 criteria that will guide the U.S. selection of potential FTAA partners." New Zealand, perhaps one of the governments most committed to free trade, has nevertheless not been offered a free trade deal because it has a policy that prevents nuclear ship visits, which the U.S. government feels is directed at the United States.⁵

- **Manipulation of the dollar's value to force rival industrial economies to shoulder costs, thereby regaining competitiveness for the US economy.** While the Bush administration has denied that this is a beggar-thy-neighbor policy, the U.S. business press has seen it for what it is: an effort to revive the U.S. economy at the expense of the European Union and other center economies.

- **Aggressive manipulation of multilateral agencies to push the interests of U.S. capital.** While this might not be too easy to achieve in the WTO owing to the weight of the European Union, it can be more readily done at the World Bank and the IMF, where U.S. dominance is more effectively institutionalized. For instance, the IMF management proposed a Sovereign Debt Restructuring Mechanism (SDRM) which would enable developing countries to restructure their debt, while giving them some protection from creditors. Already a very weak mechanism, the SDRM was vetoed by the U.S. Treasury in the interest of U.S. banks, though it had the support of many European governments.⁶

THE ECONOMICS AND POLITICS OF OVEREXTENSION

Any discussion of the likely outcomes of the Bush administration's economic policies must take into account both the state of the U.S. economy and the global economy, and the broader strategic picture. A key basis for successful imperial management is an expanding national and global economy -- something precluded by the extended

period of deflation and stagnation ahead, which is more likely to spur inter-capitalist rivalries. For, without legitimacy, imperial management is inherently unstable.

The Roman Empire, for example, solved its problem of legitimacy through political, not military, means. It extended Roman citizenship to ruling groups and non-slave peoples throughout the empire. Political citizenship combined with a vision of the empire providing peace and prosperity for all created that intangible but essential moral element called legitimacy.

Needless to say, extension of citizenship plays no role in the U.S. imperial order. In fact, U.S. citizenship is jealously reserved for a very tiny minority of the world's population, entry into whose territory is tightly controlled. Subordinate populations are not to be integrated but kept in check either by force or the threat of the use of force or by a system of global or regional rules and institutions—the World Trade Organization, the Bretton Woods system, NATO—that are increasingly blatantly manipulated to serve the interests of the imperial center.

Though extension of universal citizenship was never a tool in the American imperial arsenal, during its struggle with communism in the post-World War II period Washington did come up with a political formula to legitimize its global reach. The two elements of this formula were multilateralism as a system of global governance and liberal democracy.

As Frances Fitzgerald observed in *Fire in the Lake*, the promise of extending liberal democracy was a very powerful ideal that accompanied American arms during the Cold War.⁷ Today, however, Washington or Westminster-type liberal democracy is in trouble throughout the developing world, where it has been reduced to a façade for oligarchic rule, as in the Philippines, pre-Musharraf Pakistan, and throughout Latin America. In fact, liberal democracy in America has become both less democratic and less liberal. Certainly, few in the developing world see a system fueled and corrupted by corporate money as a model.

The Bush people are not interested in creating a new Pax Romana. What they

want is a Pax Americana where most of the subordinate populations like the Arabs are kept in check by a healthy respect for lethal American power, while the loyalty of other groups such as the Philippine government is purchased with the promise of cash. With no moral vision to bind the global majority to the imperial center, this mode of imperial management can only inspire one thing: resistance.

The great problem for unilateralism is overextension, or a mismatch between the goals of the United States and the resources needed to accomplish these goals. Overextension is relative, that is, it is to a great degree a function of resistance. An overextended power may, in fact, be in a worse condition even with a significant increase in its military power if resistance to its power increases by an even greater degree. Among the key indicators of overextension are the following:

- the inflaming of Arab and Muslim sentiment in the Middle East, South Asia, and Southeast Asia, resulting in massive ideological gains for Islamic fundamentalists, which was what Osama bin Laden had been hoping for in the first place;
- the collapse of the Cold War Atlantic Alliance and the emergence of a new countervailing alliance, with Germany and France at the center of it;
- the forging of a powerful global civil society movement against US unilateralism, militarism, and economic hegemony, the most recent significant expression is the global anti-war movement;
- the coming to power of anti-neoliberal, anti-US movements in Washington's own backyard—Brazil, Venezuela, and Ecuador—as the Bush administration is preoccupied with the Middle East;
- an increasingly negative impact of militarism on the U.S. economy, as military spending becomes dependent on deficit spending, and deficit spending become more and more dependent on financing from foreign sources, creating more stresses and strains within an economy that is already in the throes of

stagnation.

In conclusion, the globalist project is in crisis. Whether it can make a comeback via a Democratic or Liberal Republican presidency should not be ruled out, especially since there are influential globalist voices in the U.S. business community—among them George Soros—that are voicing opposition to the unilateralist thrust of the Bush administration.⁸ This, however, is unlikely, and unilateralism will reign for some time to come.

We have, in short, entered a historical maelstrom marked by prolonged economic crisis, the spread of global resistance, the reappearance of the balance of power among center states, and the reemergence of acute inter-imperialist contradictions. We must have a healthy respect for U.S. power, but neither must we overestimate it. The signs are there that the U.S. is seriously overextended and what appear to be manifestations of strength might in fact signal weakness strategically. ■

NOTES:

1. Jacques-Chai Chomthongdi, “The IMF’s Asian Legacy,” in *Prague 2000: Why We Need to Decommission the IMF and the World Bank* (Bangkok: Focus on the Global South, 2000), pp.18, 22

2. Quoted in “Deadline Set for WTO Reforms,” Guardian News Service, January 10, 2000.

3. See Robert Brenner, *The Boom and the Bubble* (New York: Verso, 2002), pp. 128-133.

4. David Harvey, Speech at Conference on Trends in Globalization, University of California at Santa Barbara, May 14, 2003.

5. “Zoellick Says FTA Candidates Must Support US Foreign Policy,” Inside US Trade, May 16, 2003. This article summarizes a May 8 speech by Zoellick.

6. For the sharpening conflicts between the US Treasury Department and IMF officials, see Nicola Bullard, “The Puppet Master Shows his Hand,” Focus on Trade, April 2002 (<http://focusweb.org/popups/articleswindow.php?id=41>)

7. Frances Fitzgerald, *Fire in the Lake* (New York: Random House, 1973), p. 116. “The idea that the mission of the United States was to build democracy around the world had become a convention of American politics in the 1950’s. Among certain circles it was more or less assumed that democracy, that is, electoral democracy combined with private ownership and civil liberties, was what the United States had to offer the Third World. Democracy provided not only the basis for American opposition to Communism but the practical method to make sure that opposition worked.”

8. See George Soros, “America’s Role in the World,” Speech at the Paul H. Nitze School of Advanced International Studies, Washington, DC, March 7,

2003. Noting that he was for intervention in the Balkans, including a “NATO intervention without UN authorization,” Soros denounces the war with Iraq on the grounds that it stems from a fundamentalism that is unsound and wreaking havoc with the US’ relations with the rest of the world. The arguments he musters are those heard not only in liberal Democratic Party circles in Washington but also in “pragmatic” Republican Party circles and Wall Street.

What to Expect from US 'Democracy Promotion' in Iraq

BY WILLIAM I. ROBINSON

The US plan for “promoting democracy” in Iraq is an integral component of its overall interventionist project in the Middle East. US rulers are deeply divided over the invasion and occupation of Iraq and they face an expanding foreign policy crisis. Nonetheless, there is consensus among them, and among transnational elites more generally, on political intervention under the rubric of “democracy promotion.” Such political intervention is not just Republican, much less a Bush regime policy, and as such it plays a key legitimating function.

The June 30 “restoration” of Iraqi sovereignty will presumably be followed by elections in early 2005 or thereabouts. The US government has already allocated \$458 million dollars for a program to “promote democracy” in Iraq. The contours of this program are not yet clear. But judging by the general pattern of US “democracy promotion” around the world, we can expect that this program will involve funding by Washington through numerous channels

both overt and covert of political parties and other elite forums in Iraq, as well as a series of organizations in Iraqi civil society, among them, trade unions, business councils, media outlets, student groups, and professional associations.

These “democracy promotion programs” are part of a larger “four step” plan for the entire Middle East, announced by Washington in 2003, using its occupation of Iraq as leverage. First was a resolution of the

Palestinian-Israeli conflict (the “road map” has, of course, since collapsed). Second was a “Middle East Partnership” to “build a civil society” in the region. Such “civil society” programs typically attempt to groom new transnationally oriented elites, and in this case, to incorporate the Arab masses into a civil society under the hegemony of these elites. Third was the region’s further integration into the global economy through liberalization and structural adjustment. And fourth was preventing the rise of any regional military challenge to the emerging US/transnational domination. The overall objective was to force on the region a more complete integration into global capitalism.

The US has three goals for the political system it will attempt to put into place in Iraq. The first is to cultivate transnationally oriented elites who share Washington’s interest in integrated Iraq into the global capitalist system and who can administer the local state being constructed under the tutelage of the occupation force. The second is to isolate those counter-elites who are not amenable to the US project, such as nationally (as opposed to transnationally) oriented elites and others in a position of leadership, authority and influence, who do not share US goals. The third is establish the hegemony of this elite over the Iraqi masses, to prevent the mass of Iraqis from becoming politicized and mobilized on their own independent of or in opposition to the US project, by incorporating them “consensually” into the political order the US wishes to establish.

The type of political system Washington will attempt to establish in Iraq has little to do with democracy and should not be referred to as such, as the terminology itself is ideological and intended to give an aura of legitimacy to US intervention. It does not involve power (*cratos*) of the people (*demos*), much less an end to class and foreign domination or to substantive inequality. This political system is more accurately termed polyarchy a system in which a small group actually rules on behalf of (transnational) capital and mass participation in decision-making is limited to choosing among competing elites in

tightly controlled electoral processes.

US policymakers began to abandon the dictatorships that they had relied on in the post-World War 2 period to assure social control and political influence in the former colonial world. It began instead to promote polyarchy in the 1980s and 1990s through novel mechanisms of political intervention, in the context of globalization and in response to the crisis of elite rule that had developed in much of the Third World in the 1970s. The change in policy was an effort to hijack and redirect mass democratization struggles, to undercut popular demands for more fundamental change in the social order, and to help emerging transnationally-oriented elites secure state power through highly-contested transitions, and to use that power to integrate (or reintegrate) their countries into the new global capitalism.

The policy shift represents an effort by transnational elites to reconstitute hegemony through a change in the mode of political domination, from the coercive systems of social control exercised by authoritarian and dictatorial regimes to more consensually-based systems of based on polyarchy. Transnational elites hope that the demands, grievances and aspirations of the popular classes will become neutralized less through direct repression than through ideological mechanisms, political cooptation and disorganization, and the limits imposed by the global economy. Polyarchy has been promoted by the transnational elite as the political counterpart to the promotion of neo-liberalism, structural adjustment, and unfettered transnational corporate plunder. US “democracy promotion” intervention, in this regard, generally facilitates a shift in power from locally and regionally-oriented elites to new groups more favorable to the transnational agenda.

The countries most often targeted for US political intervention under the rubric of “democracy promotion” are:

1) Those Washington wishes to destabilize, such as, in recent years, Venezuela and Haiti, and earlier in Nicaragua. The groups and individuals that participated in the destabilization of the Aristide government and that are now in power were precisely

those groomed and cultivated by US “democracy promotion” programs dating back to the late 1980s and undertaken continuously right up to the March 2004 US coup d’etat. And in Venezuela, the opposition to the government of Hugo Chavez has been working closely with the US “democracy promotion” network.

2) Those where popular, nationalist, revolutionary and other progressive forces pose a threat to the rule of local pro-US elites or neo-liberal regimes. These elites are bolstered through political intervention programs, such as those conducted in El Salvador, where the ARENA party was supported and the FMLN marginalized through “democracy promotion” leading up to the March 20, 2004 elections. These types of programs have been conducted in dozens of countries.

3) Those targeted for a “transition,” that is, a US supported and often orchestrated changeover in government and state structures. South Africa and Eastern European countries fell into this category, as does currently Iraq.

It is worth noting that the US and other Western powers since the 1980s have been promoting polyarchy in Latin America (the original testing ground for the strategy), Eastern Europe, Africa and some of Asia, but until now have preferred to see the sheiks, monarchies and authoritarian regimes remain in power in much of the Middle East.

“Democracy promotion” programs involve several tiers of policy design, funding, operational activity, and influence. The first involves the highest levels of the US state apparatus the White House, the State Department, the Pentagon, the CIA, and certain other state branches. It is at this level that the overall need to undertake political intervention through “democracy promotion” in particular countries and regions is identified as one component of overall policy towards the country or region in question. Such “democracy promotion” programs never stand on their own; they are always just one aspect of larger US foreign policy operations, and are synchronized with military, economic, and other dimensions.

In the second tier, the US Agency for

International Development (USAID) is allocated hundreds of millions of dollars, which it doles out, either directly or via the National Endowment for Democracy (NED), and occasionally other agencies such as the US Institute for Peace (USIP), to a series of ostensibly “private” US organizations that are in reality closely tied to the policymaking establishment and aligned with US foreign policy. The NED was created in 1983 as a central organ, or clearinghouse, for new forms of “democratic” political intervention abroad. Prior to the creation of the NED, the CIA had routinely provided funding and guidance for political parties, business councils, trade unions, student and civic groups in the countries in which the US intervened. In the 1980s a significant portion of these programs were shifted from the CIA to the AID and the NED and made many times more sophisticated than the often-crude operations of the CIA.

The organizations that receive AID and NED funds include, among others (the list is extensive): the National Republican Institute for International Affairs (NRI, also known as the International Republican Institute, or IRI) and the National Democratic Institute for International Affairs (NDI), which are officially the “foreign policy arms” of the US Republican and the Democratic parties, respectively; the International Federation for Electoral Systems (IFES); the Center for Democracy (CFD), the Center for International Private Enterprise (CIPE); and the Free Trade Union Institute (FTUI). US universities, private contractors, and organic intellectuals may also be tapped. For instance, the *Los Angeles Times* of March 20, 2004, reported that Larry Diamond of Stanford University, a leading intellectual associated with the new political intervention, was brought into Iraq in January to lecture on “democracy” to “700 Iraqi tribal leaders, many of them wearing Western business suits underneath their robes.”

While these “private” organizations are likely to become involved in Iraq, the Pentagon will surely continue its own political operations inside the country, such as its sponsorship of the Iraqi Media

Network, launched by Pentagon contractors with some \$200 million.

In the third tier, these US organizations provide “grants” that is funding, guidance and political sponsorship to a host of organizations in the intervened country itself. These organizations may have previously existing and are penetrated through “democracy promotion” programs in new ways into US foreign policy designs, or they may be created entirely from scratch. These organizations include local political parties and coalitions, trade unions, business councils, media outlets, professional and civic associations, student groups, peasant leagues, and so on. Many of these groups may tout themselves as “non-partisan.” They may well be with regard to local political currents but not with regard to the overall objectives of US policy. When elections are held the interventionist network invariably funds or creates electoral monitoring and “get out the vote” groups that appear as local “non-partisan” democratic civic groups but in practice play a central facilitating and legitimating role in the program.

We may see in Iraq another modus operandi of US political intervention, in which US operatives chose for strategic reasons to work through third-country groups. For instance, in its extensive political intervention activities in Nicaragua in the 1980s the US “democracy promotion” apparatus worked through a number of Venezuelan political and civic organizations. Proxy Venezuelan operatives actually conducted programs on the ground in Nicaragua. As Spanish-speaking Latin Americans, these operatives were able to achieve a level of legitimacy, penetration and influence impossible for gringos. In Iraq, therefore, the US may choose at some point to mount political intervention programs via Jordanian, Egyptian, and other Middle Eastern-based groups. Those monitoring political intervention in Iraq will want to look out for the creation of NGOs in the country (we are likely to see a dramatic NGO-ization). While many of these may be authentic Iraqi and foreign groups, others will undoubtedly be part of the US-mounted political intervention network.

Washington hopes to create through its

“democracy promotion” programs “agents of influence” local political and civic leaders who are expected to generate ideological conformity with the elite social order under construction, to promote the neo-liberal outlook, and to advocate for policies that integrate the intervened country into global capitalism. These agents are further expected to compete with, and eclipse, more popular-oriented, independent, progressive or radical groups and individuals who may have a distinct agenda for their country.

The US goal is to make the conquest of Iraq a Janus-faced project of consent and coercion, or more aptly, consent backed up by coercion. “Democracy promotion” programs are not intended, as a matter of course, to replace military intervention but to complement it. US and international operatives hope that political intervention will lead to the establishment of internal consensual mechanisms of domination as the flip side of direct coercive domination by US armed force. The operation of local paramilitary forces and even death squads is not necessarily anathema to US-sponsored political transitions in intervened countries. Such forces may well develop in Iraq in some sort of a synergic relation with the civic and political network that US political intervention will cultivate.

It is important to emphasize that many individuals brought into US “democracy promotion” programs are not simple puppets of US policy and their organizations are not necessarily “fronts” (or in CIA jargon, “cut-outs”). Very often they involve genuine local leaders seeking to further their own interests and projects in the context of internal political competition and conflict and of heavy US influence over the local scene. Moreover, old and new middle classes, professional and bureaucratic strata may identify their interests with the integration or reintegration of their countries into global capitalism under a US canopy. These classes may be politically disorganized or under the sway of counter-elites and of nationalist, popular, or radical ideologies. They often become the most immediate targets of “democracy promotion,” to be won over and converted into a social base for the transnational elite agenda.

Hence, promoting polyarchy in Iraq, as elsewhere, will be more than just theatrical activity to gain international legitimacy for a regime brought into being by foreign occupation. Washington hopes it can bring together a national elite that can act as effective intermediaries between the Iraqi masses and the US/transnational project for the country. This elite is expected to establish its effective control over the political society created by the US occupation force and its ideological hegemony over the country's fragmented and unruly civil society. The objective is to bring about a political order that can achieve internal stability as the necessary condition for the country to function as a reliable supplier of oil, an investment outlet for transnational capital, and a platform for further transnational economic and political penetration of the Middle East.

The US program will likely seek to privatise everything as it integrates Iraq into global capitalism and opens up the country's resources and labor force to transnational corporations. But here it must count on local political, business, and civic intermediaries that will be cultivated by US "democracy promotion" programs and brought together into a functioning network attuned to the US/transnational program. These elites will pursue their own interests within the broader project and as a matter of course there will be multiple points of friction among them, and between them and their US overlords.

The "democracy promotion" program in Iraq will involve the older generation of "jackals" (the Chalabis, Pachachis, and so on) and their organizations indeed, they are already deeply implicated in the US occupation but it will also attempt to identify new leaders and prominent figures among diverse sectors and communities, and to bring them into the dominant project. Washington knows that it cannot count alone on the old class of exiles and assorted jackals as internal representatives of the transnational project. It must be able to identify and cultivate leaders that can garner a minimum of legitimacy among the country's diverse and fractious ethnic and religious communities and social sectors.

To this end, Washington will sponsor numerous consensus-building processes and forums in and outside of Iraq, with the participation of a broad range of groups and individuals from Iraq and from third countries. These forums will include Iraq-wide and international conferences on "promoting democracy." US operatives will identify hundreds, perhaps thousands, of individuals it believes can be brought into the program. They will be invited to these conferences and to numerous gatherings in and outside of Iraq for "democracy training." Local media outlets funded by the program will give constant coverage and propaganda to those organizations and individuals drawn into the "democracy promotion" network, and will ignore, sideline, or malign independent organizations that compete with the US/transnational agenda.

What is crucial to reiterate is that weaving together a pro-Western elite capable of assuming the reigns of local power (no matter how limited, fragmented and controlled by Washington) is only half the US strategy. The other half is to try to control and suppress alternative political initiatives within civil society and prevent popular or independent political voices from emerging. As the US moves forward with plans to turn over "sovereignty" to a hand-picked and unrepresentative body "democracy promotion" programs will have the twin objectives of: 1) fostering political and civic organizations in civil society that can build a social base for a new Iraqi government; 2) suppressing and isolating those organizations and social movements that oppose the US program and put forward an alternative. In this regard, "democracy promotion" will seek to politically incorporate mass resistance by safely channeling it into formal, sanitized, and bureaucratized "politics" managed by the string of political, business, and civic organizations propped up by political intervention. This is how polyarchy is supposed to function: to absorb threats and to reproduce the social order.

The Bush regime (along with other US and transnational elites) hopes a "transition to democracy" will provide a viable "exit" strategy. But this is close to impossible, a

veritable imperial pipedream. Establishing a functioning polyarchy is a near impossibility, given the rivalries, petty ambitions, and struggles for the spoils of local power among the jackals, the political, ethnic and religious splits among them, the rise of counter-elites, the expanding resistance, and the dim prospects of pacifying a colonized and restive population. If the Iraq invasion and occupation is the most massive US intervention since Vietnam, it is also the most stunning indeed, insurmountable chasm that we have seen since Washington's Indochina quagmire between US interference, on the one hand, and the actual US ability, on the other hand, to control events and outcomes. ■

Nicaragua's and Latin America's 'Lessons' for Iraq

BY ALEJANDRO BENDANA

An analytical distinction should be made between US political interventions employing primarily economic weapons in order to destabilize a popular or nationalistic government, AND a US military intervention employing (subsequently) political and economic means in order to “stabilize” an implanted regime. Most US interventions in Latin America took the form of the first, albeit indirect proxy military pressure was placed on Nicaragua. However, the 2004 intervention in Haiti, as with Iraq and Afghanistan, belong to the second category. The strategies and the stakes are different, but the end goal is the same: control.

Traditionally the US will act against elected governments in Latin America that show inclinations to redistribute wealth and challenge imperial/corporate hegemony. An example was the destabilization efforts against the Allende government in Chile in 1973 utilizing covert operations. Additionally, in recent times, interventions make use of political and electoral mechanisms to help insure the victory of pro-US candidates and/or denying legitimacy to independently

elected officials, particularly those that refuse to undergo privatization and liberalization. In Venezuela, the United States is making use, through the pro-US opposition, of the Electoral Council and the Judiciary, along with the principal press organs, to force President Chavez out of office. Coup makers one year ago proved to be funded by the National Endowment for Democracy, whose mandate in general is to “strengthen” democracy.

In Nicaragua and elsewhere, the National Democratic Institute and especially the International Republican Institute congressionally funded foreign policy wings of the Democratic and Republican parties respectively engage directly with pro-US oppositions, including media and labor unions. At the same time the US government and the international financial institutions will cut off loans, credits and aid pushing third country donors to freeze cooperation, as was the case in Haiti and Nicaragua. The political interventions do not shy away from violence, fomenting provocation and confrontations with authorities: All in the name of democracy.

Oil wealth makes it difficult for the US to employ economic intervention as effectively in Venezuela, as it has in the cases of Nicaragua and Haiti. Washington exploits and expands existing social-cultural contradictions in order to further its interests, creating, if need be, its own social base.

During the 1980s the Sandinista Government resisted US military pressure and an economic embargo. The government overcame the military (contra) pressure, but lost control of the economy. In 1990, the government was forced to call elections in which the Sandinista Party (FSLN) lost to a US-organized and financed legal opposition coalition, while holding the contra army in reserve in case the FSLN won at the polls as was expected. The US would support the results of a “free” election only if its own side won. The US and the right wing in Central America have made extensive use of scare tactics to influence the electoral results, most recently in El Salvador in the March 21, 2004 elections.

Regime imposition as the product of military intervention introduces new variables, although other elements remain constant. The objective is sustaining a regime created by the US and which it must uphold at almost any cost. Haiti (following the overthrow of Aristide), Kosovo, Afghanistan and Iraq may be examples.

TRANSFORMING POLITICAL INSTITUTIONS

What the imperialist’s call “nation-building” or “peace-building” refers to the need to construct and uphold a political and social regime in the “post-war” or, more accurately, post-military intervention scenario. It entails a qualitatively more intensive modality of engagement characterized by acute micro-management of the proxy government. According to the influential right-wing think tank Rand Corporation’s best practices study, “nation-building” is not primarily about rebuilding a country’s economy, but about transforming its political institutions.

Washington assigns some of the task to the European Union or NATO in the case of the Balkans and Afghanistan, but this has not been the case so far in Iraq. East Timor represents a different situation where the UN was told to re-assume trusteeships of the new nation. It is with Afghanistan and particularly Iraq that the United States has assumed the full-fledged responsibility for “nation-building” (absent in Somalia and experimented with in Bosnia and Kosovo) and with it a long-term commitment to maintain its presence in all forms.

Massive US occupation carries its dynamics extending far and deep into the post-war “reconstruction” and characterized by an enduring US military presence including permanent bases. The historical precedents are Germany and Japan following the Second World War. As in Iraq, the goal was to eradicate a regime, including the dismantling of its military, ensuring the re-orientation of its politics and educational systems. Direct assumption of police and security by US troops is a crucial differentiation where the emphasis is on “stabilization” not de-stabilization.

An influential Rand Corporation study insists this is the essential policy and historical framework that is or should be the one guiding present US policy and planning for the period following the alleged military withdrawal. Paul Bremer has referred glowingly to the report and its recommendations. According to that study,

“early elections driven by a desire to fulfill departure deadlines and exit strategies can entrench spoilers and impede the process of democratization.”

Lagging far behind the US in terms of military capacity, the Europeans and the multilateral institutions including the UN and the World Bank, are more focused on insuring the economic “fundamentals” and the involvement of “aid” agencies in reconstruction and “nation-building”. Rationalizations abound: some would highlight the advantages of a division of reconstruction labor while others try to put on the best face on submission, particularly after the invasion of Iraq. In Kosovo the US called the shots but paid only 16% of the reconstruction costs and fielding only 16% of the peacekeeping troops. In effect, the ousting of Hussein gave new impetus to the debate over the role of the United Nations in “post-conflict” countries. According to the Rand Corporation study, similar successes depended on “the ability of the US and its principal allies to attain a common vision of the enterprise’s objectives and then to shape the response of the relevant institutions, principally NATO, the EU and the UN, to the agreed purposes.”

Political intervention in post-Sandinista proved massive and open. Nicaragua received the highest per-capita assistance of any country in the world. The strategy was to prevent the Sandinistas from coming back to power and reducing its influence in political institutions and societal organizations. USAID went to work in creating parallel non-Sandinista civil society (unions, farmers, NGOs, community-based organisations) that could rival the strong Sandinista influence of the established organizations. Particular pressures through the new President were placed on the Army and Police to strip themselves of Sandinista influence. A series of NGOs came into being with a “pro-democracy” agenda.

AN ‘ENABLING’ CIVIL SOCIETY

Where the two interventionary processes meet is at the level of “democracy building” also termed the promotion of “good governance”. The United States and

its myriad entities, including NGOs and contractors, work directly with civil society to create new structures in a way that will reinforce macro-level stability and above all does not challenge the Western political and security presence, nor the fundamentals of neoliberal economics. Priority is giving to the establishment of a legal framework protecting property and capital rights.

From contemporary Nicaragua (but also in the South and East) we find the United States requires not only an “enabling government” but also an “enabling civil society”, even if it has to be created, divorcing popular movements from the possibilities of democratic local and national political participation. Providing the semblance of “democracy” is crucial to assure that the “free market” prevails and upholds the reality of a legal and ideological regime subservient to corporate capital, the international financial institutions along with the strategic needs of the US military. Hence the political necessity of ensuring the appearance of “consultation”, “participation” and even “national ownership.” ■

Silent Battalions of Democracy

How the US is Reconstructing Iraq's State and Society

BY HERBERT DOCENA

Sheikh Majid al-Azzawi was one proud Iraqi. His office, surrounded by sandbags, barbed wire and tall concrete walls, looked more like a military base than an administrative building. But even the pitch-black darkness that swirled in the corridors most of the day did not dampen al-Azzawi's spirits. "We are very happy to be part of this council, even if we have simple equipment," said the member of the Rusafa district council in central Baghdad. "It is the first time for all the members of the government, because it was impossible before."

The Rusafa council is one of hundreds of local proto-government entities set up all over Iraq by the US military and the US Agency for International Development — through the private Research Triangle Institute (RTI) — since the end of "major combat" in May 2003. The role of the North Carolina-based contractor came to light in November when Coalition Provisional Authority head L. Paul Bremer unveiled his original plan — later scrapped — for transferring "sovereignty" back to Iraqis: the interim government would be chosen

through complex caucuses in local councils whose members had been vetted by RTI.

RTI is one of a battalion of private contractors hired by the US government for Iraq's other "reconstruction." As Bechtel attempts to rebuild bridges and power plants, other US companies are attempting to fashion Iraq's legal, economic, political and social institutions so that they will be conducive to US interests. Most of the contracts are funded by USAID as foreign aid, and as USAID is the first to admit, in its aptly titled *Foreign Aid in the National*

Interest, “all aid is political.” Foreign aid, says the USAID website, has a twofold purpose: “furthering America’s foreign policy interests in expanding democracy and free markets while improving the lives of citizens of the developing world.” In Iraq, USAID’s partner RTI is recruiting and mobilizing Iraqis who it hopes will push for and defend preferred US policies — both within the state and in civil society — in a sovereign Iraq. One of them was Sheikh al-Azzawi.

KNOCKING ON DOORS

Among the first contractors to arrive after the invasion, RTI employees have roamed the country searching for what its contract with USAID calls “the most appropriate ‘legitimate’ and functional leaders.” (Quotation marks around “legitimate” appear in the original contract.) Aside from setting up a five-level system of local councils all over the country, RTI is also creating and funding dozens of non-governmental organizations. How RTI — and its employer, the US government — defines “legitimate” is evident in the way it went about constituting these councils and determining what type of NGOs get supported. “What we are trying to do,” said Fritz Weden of the USAID Office of Transition Initiatives, “is to identify those groups, those leaders that you can work with.”¹

RTI did not simply knock on the doors of “pro-occupation” Iraqis willing to serve the occupiers. There was no uniform process. In the village of Shemaya near Sadr City, RTI and the military actually allowed residents to cast votes, but the candidates allegedly made sure that only their relatives, tribe members and friends knew about the voting. There was no general voters’ list. “We didn’t know anything about these elections. We just suddenly heard about them,” complained one tribal leader who accused the winning council chair of nepotism and corruption. In Balad, a city north of Baghdad, Nabil Darwish Muhammad, a mayor who was otherwise sympathetic to the occupation authorities accused them of rigging the elections to favor their candidate.² As RTI employee Christian Arandel admitted

at a forum in North Carolina: “Let us be clear. These are not elections. These are all processes of selections.”³ In these selections, even though some local leaders were consulted and in some cases balloting actually took place, the US military, as guided by RTI, had the final say.

The *Baghdad Citizen Advisory Council Handbook* explicitly stated that the council members “for no specific term may be removed or replaced at any time by any authorized representative of the CPA or military commander.” In Taji, as in all places where a select group of Iraqis were asked by RTI to round up leaders, the self-appointed local community heads had to submit their list to the CPA for vetting. After two months, soldiers kicked out two alleged Baathists. “They were sitting in a meeting,” relates Kamal Ridha of the Taji City Council, “and the military commanders asked them to leave.” Hazim al-Suhail, an employee of the Pentagon’s Iraqi Reconstruction and Development Council who sat at the Taji City Council meetings as a partner of RTI, was proud to say that, “There are no terrorists, no criminals and no thieves in the city councils.” At the Baghdad City Council, where RTI’s media officer Amir Tamimi also sits as a member, “terrorists” are banned. According to Tamimi, RTI instructed members of the local councils to kick out the “terrorists” — an appellation he would not define — through “democracy” by voting them out. They did.

Prior to RTI’s selection process, the CPA abolished all local councils that had been formed after the war. “I’m not opposed to [elections], but I want to do it in a way that takes care of our concerns,” Bremer said. “In a situation like this, if you start holding elections, the people who are rejectionists tend to win,” he explained.⁴ Another CPA official was more direct when asked why elections could not be held soon: “There’s not enough time for the moderates to organize.”⁵

RTI’s task is to make sure the “legitimate” leaders — and not the rejectionists or the non-moderates — prevail. This mission serves the larger goal of building a social base of Iraqis that will bear with the continued US-led occupation, in order to

offset those other groups that are hostile or uncooperative. “Beneath the new interest of the United States in bringing democracy to the Middle East,” points out Thomas Carothers, director of the Democracy Project at the Carnegie Endowment for International Peace, “is the central dilemma that the most powerful, popular movements are the ones that we are deeply uncomfortable with.”⁶

‘THE RIGHT PEOPLE’

Complementing RTI’s work is the National Endowment for Democracy (NED), a quasi-governmental body promised a 100 percent increase in Congressional funding in George W. Bush’s 2004 State of the Union address. “There is a lot of change taking place [in the Middle East],” NED President Carl Gershman remarked to the *Washington Times*. “We know how to get to the right people.”

In Nicaragua in 1990, the right people were from the conservative opposition party led by Violeta Chamorro, who ran against the Sandinista President Daniel Ortega with campaign funding from NED.⁷ In Venezuela in April 2002, NED felt it made the right choice in supporting those who organized a failed coup d’etat against Hugo Chavez.⁸ In Iraq, NED is once again busy searching for the right people. While RTI recruits people at the grassroots, NED and its affiliates have been developing the machinery for scores of political formations expected to contest the national elections planned for January 2005 or crowd the scheduled Constitutional Assembly to be held beforehand.

In Baghdad, scores of houses have been renovated to be the headquarters of new political parties — many of them furnished by NED. But NED does not simply dispense cash. Since the occupation began, NED’s affiliates, the International Republican Institute (IRI) and the National Democratic Institute (NDI), have been holding political party development seminars and focus group discussions. As with USAID-sponsored “political party development” programs, the NED seminars train Iraqis on techniques of strategic planning, building up the party’s local and regional structures, recruiting members, fundraising and media relations.

More advanced levels take up electoral communication strategies, campaign planning and candidate recruitment.⁹

The NDI has been holding sessions for assessing party strengths and weaknesses and evaluating their potential for participating in elections.¹⁰ The IRI has gone as far as producing a database of parties, with information on each group’s characteristics, their regions of operations, and estimates of their memberships.¹¹ At least one of the parties, the Free Republican Party, has openly packaged itself as the Iraqi version of the US Republican Party.¹²

Meanwhile, the US government allotted funding through a common NED conduit, the Center for International Private Enterprise (CIPE) of the US Chamber of Commerce, to set up business associations in Iraq. “By serving as a platform to voice the business community’s needs and interests to political decision-makers, business associations contribute to the growth of a participatory civil society and the development of a regulatory and policy environment conducive to private enterprise,” reads its report. One of the organizations that CIPE founded, the Iraqi American Chamber of Commerce and Industry, is bent on “promoting an open market economy and a democratic political system.”¹³

‘BEST PRACTICES’

The layout of the office on the second floor of the Taji administrative building suggested that someone important worked there. Comfortable sofas for guests lined three walls, on the fourth side sat a massive wooden desk, and in the middle of the room, there were three small tables to hold the brass plate that carried the tiny cups of tea. Besides seeking out the council members, RTI was also in charge of refurbishing their offices. It was a Wednesday and, in a city where the lights are out, water is not running and garbage remains uncollected, a thousand tasks were waiting to be accomplished. But there was no urgency in what the Taji council members gathered in the office were doing: smoking and drinking tea.

For the purposes for which the council

was created, the council members were doing a superb job. With no real power at all — not over budgets and not even over meeting schedules¹⁴ — the councils' main purpose was to deflect criticism of the US military and to channel the political energies of the population in non-threatening directions. In Sadr City, for instance, the neighborhood council was deployed to calm people down after a US helicopter knocked down a flag with religious significance.¹⁵ In the Abu Nuwas neighborhood, according to one council member, the council was tasked with going door to door to collect guns.

After (or if ever) the bombs stop exploding, however, the US would like to see this layer of Iraqis calling the shots. To empower them to do so, the CPA conducted a massive countrywide teach-in about the different components of “democracy.” Many forums and workshops were organized by RTI and other contractors and attended by local council members and NGO leaders. In Najaf, there was a workshop on “Constitutional Democracy: Rebuilding Society in a Democratic Age.”¹⁶ Across Iraq, according to a CPA press release, “Tribal Democracy Centers” were set up to encourage sheikhs and tribal leaders to take the required classes. Every week, after flag ceremonies in elementary and secondary schools, teachers of “democracy” were given five minutes to expound on various concepts.¹⁷ In the northern city of Erbil, where the lessons were far more advanced, Iraqis from the government, civil society, media and the business community partook of a six-part series of “economic development clinics” for diagnosing the “potential role of Erbil in the global economy.”¹⁸

What kind of “democracy” were the Iraqi trainees told to master? Larry Diamond, a senior advisor to the CPA and former co-director of NED, offered a preview in a lecture at Hilla University in January 2004. According to the CPA press release, Diamond told his audience that a basic element of “democracy” is a “market economy” and among the most fundamental rights is the right to own property — a view affirmed by USAID. This, in turn, calls for a kind of democracy in which social equality is not a necessary

aim and in which inequalities may in fact be necessary. As Samuel Huntington puts it: “Political democracy is clearly compatible with inequality in both wealth and income, and in some measure, it may be dependent upon such inequality... Defining democracy in terms of goals such as economic wellbeing, social justice and overall economic equity is not...very useful.”¹⁹

While they imbibed these fundamental lessons, Iraqis would then be taught the operational details. RTI is required by contract to “identify, prepare and disseminate best practices in local governance.”

‘PARTICULAR EXPERTISE’

“We don’t present ourselves as we have advice to offer to you, or we don’t present ourselves as here’s the best way to do something... We have experience in a lot of countries in doing similar kinds of work, and so we do try to say, ‘In our experience, here are some best practices,’” explained an RTI official at a USAID event in Washington.²⁰ The contractor’s record in dozens of other countries, as gathered from various USAID and RTI documents, shows what it considers to be best practices.

In Central and Eastern Europe, RTI was involved in administering “shock therapy” to former Soviet bloc states, moving the local governments toward open market economies. In Russia, Ukraine, Kazakhstan and Kyrgyzstan, it took part in the privatization of over 150,000 state-owned enterprises. In Ukraine, RTI “advisors” developed the policy for setting the prices of local services. In Romania, where it prides itself on securing the enactment of a new municipal finance law, RTI created an association of municipal civil servants and “guided” them in lobbying for a new national legislative structure for local governments by teaching them the “best practices.”

Providing what it described as “high-impact assistance” to national ministries and municipal associations setting Bulgaria’s fiscal decentralization policies, RTI pushed for the passage of a “Municipal Budget Act” and a “Municipal Borrowing Act.” Claiming to be giving “objective non-partisan assistance,” RTI was proud to report that it worked —

on a daily basis — with officials from the Bulgarian Ministry of Finance drafting two policy papers on decentralization. In pushing for the privatization of Bulgaria's educational system, it also claims to have helped set the standard of education each pupil will get given maintenance costs. In Poland, it developed training programs on the management of water and wastewater utilities. In privatizing and restructuring the housing agency of one city, RTI went so far as to provide samples of company charters as well as procedures for the meeting of shareholders to the newly privatized company.

In Indonesia, RTI trained bureaucrats to “restructure local water utilities into profit-making entities” by obliging Indonesian city dwellers to pay for services. In Pakistan, RTI was recently contracted by USAID to privatize the country's educational system.²¹ In South Africa, RTI boasts of drafting the 2001 constitutional amendment signed by President Thabo Mbeki allowing municipalities to make loans. The South African government claimed that the Municipal Infrastructure Investment Unit, which assisted municipalities in getting financing for their local infrastructure through public-private partnerships, was part of a government agency. It was, in fact, created and run by people from RTI.²² The contractor conducted pilot demonstrations of privatized solid waste management in Tunisia.

RTI performed similar work throughout the Caribbean and Central America, including Guatemala and El Salvador, as well as in Ghana, Haiti, Honduras, Swaziland, Korea and Portugal. This long experience has given RTI reason to advertise its market niche. “We have particular expertise in helping prepare short- and long-term public-private partnerships for the financing and management of municipal services such as water supply, sanitation, waste management, energy and transportation,” the company's website notes.

NUTS AND BOLTS

Given this track record, it is obvious what constitutes “best practices” for RTI. Paid

by the USAID, RTI has no choice but to follow directives which the agency's website makes clear: “The safeguarding and protection of economic freedom lies at the heart of USAID's legal and institutional reform activities.” In its contracts with USAID, RTI invariably works to overhaul local governments in order to make them friendlier to the private sector.

In Iraq, if the pieces fall into place, the council members and the NGOs will soon be sitting through lessons on the “best practices” of local governance and directed, as RTI's previous students have been, to reading materials such as the *World Bank Tool for Private Sector Participation in Water and Sanitation*. If this tool's previous use is any indication, even the financial spreadsheet software the Iraqis will be asked to master will serve a specific purpose: assessing the creditworthiness of their municipality. Already in Karbala, local council members and bureaucrats have taken workshops in “Management Accounting and Reporting for Efficient and Effective Service Delivery.”²³

When Iraqis eventually begin work on the nuts and bolts of their political system, RTI will be there every step of the way, providing “technical assistance” in drafting laws, helping ministries understand and relay complex regulations to their constituencies, supplying them with “model” constitutional provisions, giving them access to advice of “consultants” free of charge, handing them “technical” studies and background papers, and so on. According to the contractor's website, “As the CPA and the Iraqi Governing Council advance in their efforts to strengthen national institutions, adopt and implement national policies, and design a political system for a future Iraq, RTI and our partners are working to ensure that the knowledge base generated by our field activities informs key decisions.” RTI's contract spells out that they will “strengthen the capacities of NGOs...to advocate on behalf of preferred local policies.”

USAID takes pains to convince Iraqis that these measures are in their best interest, because they supposedly ensure that the new Iraq will succeed in the global economy. “Globalization and regional integration have benefited countries regardless of their stage

of development,” the agency maintains.²⁴ At the same time, USAID is quick to point out, this success will also redound to benefit of the US. “Successful development abroad generates diffuse benefits. It opens new, more dynamic markets for US goods and services. It generates more secure and promising environments for US investment.”²⁵

If Iraq is “today’s California Gold Rush,” as former CPA director of private sector Tom Foley called it, then the silent battalion of private contractors exemplified by RTI is trying to erect the legal and institutional structures for ensuring that the occupiers get the most gold. “Business conditions are improving every day in Iraq, creating a greater opportunity for US business to explore virtually an untapped market,” cheerfully noted Commerce Secretary Don Evans at one point.

IN THE NATIONAL INTEREST

In this ambitious plan, RTI and other contractors in Iraq are applying what the US government has learned from decades of using foreign aid to push for “policy reforms” in scores of countries around the world.²⁶

According to USAID, the successful adoption of US-backed policies requires “political will” which can come from three sources: the state or ruling elites, indigenous civil society, and foreign governments and civil society. Focusing on only the state or the ruling elites, USAID learned, is not enough. “Even if state elites propose reforms — for example, to privatize state industries, improve the tax system or crack down on smuggling and bribery — these reforms may not be sustainable unless society is educated about the need for them and mobilized to support them,” the report *Foreign Policy in the National Interest* points out. This explains why the US is also very hot on “civil society.” “Organized pressure from below, in civil society, plays an essential role in persuading ruling elites of the need for institutional reforms to improve governance,” the report notes.²⁷

In Iraq, the US-sponsored civil society is intended to function as a backup in case the eventual elected government refuses to pursue “reforms” after the US leaves.

“What we are hoping is...that there will be this moderating influence that will have an effect on the way that people at the national level choose to behave,” a USAID official said. “Now we know...that we stand a better than even chance of moderating some of the extreme behavior at the top.”²⁸ USAID is blunt about consequences: “If there is no political commitment to democratic and governance reforms, the United States should suspend government assistance and work only with non-government actors.”²⁹ Should the new US super-embassy in Baghdad wield its \$18.4 billion reconstruction fund as such a lever of power, it would be practicing what USAID calls “tough love.”³⁰

According to the USAID’s review, “reforms” do not succeed when “reformers” fail to organize wider constituencies among “stakeholders.” This is where foreign aid comes in. “Where political will for systemic reform is lacking,” says the report, “the main thing that foreign assistance can do is to strengthen the constituencies for reform in civil society.”³¹ Foreign aid will be used to educate them about preferred policies and learn about the experience of other countries, improve their coordination with each other, enhance their ability to lobby and to project themselves as experts, and campaign for greater support. Interest groups such as trade unions, chambers of commerce and think tanks, as well as the mass media, should be targeted.

A crucial element for the success of “reforms,” USAID points out, is the perception of “ownership.” The adoption of “reforms” must not be seen as externally imposed, like the International Monetary Fund’s structural adjustment policies or the policies of a direct colonial authority. It is important that the “best practices” that the RTI is teaching Iraqis will, in the end, be seen as proposed by the Iraqis themselves.

‘POLICY CHAMPIONS’

Guided by these realizations, USAID has developed a step-by-step list of tasks to improve the likelihood of “reforms” being successfully embraced. The first among these tasks is what USAID calls “legitimation” or the means for getting

“buy-in” from the people who should be seen as owning the policies. In this stage, USAID should single out what it calls “policy champions” who could be relied on to act as the main proponents of the policy. Drawing from its “Policy Implementation Toolkit,” USAID contractors are expected to carry out “stakeholder analysis” because this “helps managers to identify individuals and groups that have an interest, or stake, in the outcome of a policy decision.”

To carry out this analysis, USAID contractors must maintain a catalogue of stakeholders and classify them either as “supporters,” “opponents” or “neutral parties. They should also be able to prioritize “which groups are the most important ones for managers to seek to influence.” A more advanced version of the analysis is what USAID calls “political mapping” which should provide a graphic guide to the political landscape facing a certain policy. This tool “permits a finer-grained assessment of the support and opposition facing policy implementation and allows implementers to track how various implementation strategies might rearrange coalitions of supporters and opponents.”³²

Presumably, these political maps hang somewhere at the USAID headquarters in Baghdad’s heavily fortified Green Zone. What better way to gather data for “stakeholder analysis” and for “political mapping” than to sit through all of the local council meetings or be planted in the ministries, observe the members and bureaucrats, and take notes? RTI is incidentally under contract to “develop a body of knowledge that is essential to effective program implementation” by making reports on various aspects of Iraqi society, including “appropriate and legitimate leadership” and the “status of local governance.” At a time when Iraq’s governors are selected by “screening committees” rather than the people at large, the information that RTI gathers on the ground should be useful not only for getting the pulse of the people but also for identifying “policy champions” to be endorsed for ranking positions in government or “opponents” to be marginalized and countered.

The second task is “constituency building” or “gaining active support from groups that see the proposed reform as desirable or beneficial” and which is intended to “reduce or deflect the opposition of groups who consider the proposed reform measure to be harmful or threatening.”³³ Here, the plethora of workshops and conferences that the USAID organized become useful not just as educational sessions but also for building consensus and developing common plans of actions among “policy champions.” “It is of vital importance to set up groups of activists in every locality,” RTI noted from its experience in Ukraine. Building consensus is key because, as USAID points out, “The broader and more sustained elite consensus in favor of governance reforms, the greater impact democracy and governance programs tend to have.”³⁴

‘ENTRY POINTS’

In a sense, USAID and its contractors should have had it easier in Iraq. In most of the other countries where it has projects, USAID has no choice but to work through existing institutions. Confronting circumstances that are often beyond its control, USAID had to seize on opportunities such as constitutional reforms, the passage of bills or the implementation of administrative regulations to push for its preferred policies. In the jargon of USAID, these are the “entry points.” To increase its chances, USAID contractors are instructed to look for “sympathetic” ministers in the national administration or a chairperson of a strategic parliamentary commission in the legislature, as well as set up associations of elected officials or bureaucrats. USAID calls this “capitalizing on national opening.”³⁵

In Iraq, the “entry point” was the invasion. The “national opening” was the collapsed state left in its wake. There are no existing institutions to work through; the US is attempting to create them from the ground up. From the rubble of the bombed-out ministry buildings scattered all over Baghdad new government agencies were designed and constructed by the occupation authorities. The “legitimate leaders” are not to be identified and coopted,

they have to be groomed and primed. In other countries, USAID operators have to cajole or effectively coerce governments to submit to its “reforms.” In Iraq, they were the government. Despite the “transfer of sovereignty” on June 28, they continue to exercise considerable power over the interim government. There is no need to tinker with Iraq’s laws because, presumably, they will be written on a blank slate by the first elected government. All this is possible because of the rare opportunity offered by the war. In Iraq, the first step was not “legitimation” or “constituency building.” It was dropping bombs.

HOBbled BY CONTRADICTION

But it is not so easy. The violence directed at local council members selected by RTI is only the most dramatic measure of the difficulties the USAID programs face in Iraq. In April, anti-occupation militants killed Sheikh Majid al-Azzawi of the Rusafa council. The council president, who once said of those who attacked foreign soldiers, “they’re not resistance, they’re terrorists,” was injured.

Already in the spring of 2004, furthermore, the very people whom the US is counting on to preach patience to their fellow Iraqis are running out of it. “I want the occupation to end,” said Abbas of the Taji council. “I don’t care if they kick me out of the council,” he responded when reminded that he should not be saying such things. “In the end, the US will leave Iraq,” Ridha, the former council president stressed, with an evident uncertainty in his voice. “We know that the Americans are not going to say something they don’t mean.” Still, Abbas warned: “Now we are patient — for a day, for a month, for a year. But suddenly, who knows when a revolution will come?”

The council members are not mere puppets. In many cases, the US practically blackmailed the locals into signing up for the councils by telling them that this was the only way they could get services such as electricity and water as well as reconstruction funds for schools and clinics. “At first we didn’t want to sit in the same table as the coalition forces,” confessed Ridha. But being

pragmatic, they eventually did.

Occupation authorities also used fear to induce locals to take their side. On one hand, they played up the possible restoration of Baathist rule if the Iraqis did not cooperate. As Ridha said: “I want to stay in the local council because if I don’t, the Baathists will return.” On the other hand, the occupation authorities constantly emphasized the threat posed by religious parties, to portray themselves as defenders of human rights — especially women’s rights — and secularism. The sudden proliferation of women’s centers and women’s NGOs attests to deliberate US efforts to build up a constituency among women.

While stoking their fears, the coalition authorities fanned Iraqis’ hopes by exploiting a genuine desire for empowerment that has been bottled up for decades. There was no shortage of people eager to assume positions that promised them a chance to have a say in running their own affairs. In creating a layer of Iraqis who owe their positions to the occupation forces, the US cast itself as the only center of power to which aspiring Iraqi politicians could appeal. In Taji, for instance, community leaders were initially hesitant to be seen as sidling up to the occupiers. As Abbas tells it, “But then we were surprised because there was another group who claimed to represent people from Taji who approached CPA. And so we went to the CPA to say we were the true council.”

The CPA’s self-projected image as neutral arbiter proved to be double-edged: as it instrumentalized Iraqis for US interests, it was also prone to being manipulated by Iraqi politicians. As it inevitably took sides among competing factions, the US attracted the resentment of the faction whose side it did not take. In Abu Nuwas, for instance, where a local council member was able to persuade the CPA to fire other council members, the target of the ousted members’ anger was not just the usurper but also the CPA. “Where’s the difference between the old regime and now? Where’s the democracy?” the expelled member lamented.

Because of the interests they are perceived to be serving, US-built Iraqi institutions are strategic targets in the ongoing war. Police stations and local council offices have

increasingly become the dumping ground of explosives. “Nobody in this town respects the council, because we were handpicked by the Americans,” complained Burkan Khalid of the Samarra’ City Council. “We are despised, and the next council chosen by the Americans and their puppets also will be despised.”³⁶ From the outset, the ambitious US political “reconstruction” program was hobbled by a contradiction: the one thing the local councils need to survive — legitimacy — is the one thing that they cannot have. Al-Azzawi’s death indicates why, for all the sophistication and ambition of the US programs in Iraq, the plan to turn Iraq into “today’s California Gold Rush” could yet collapse. Despite the hard-to-match perks offered by the CPA to investors, for example, the plan to privatize Iraq’s industries has already been temporarily shelved and scaled down because there have been few brave takers.

In the beginning of April 2004, as the widespread uprising triggered by the US sieges of Falluja and Sadr City caught fire, the Taji City Council cancelled its regular weekly meeting and closed its doors. Posted on the gate of the Taji administrative building was a short notice expressing the council’s support for the uprising. They were no longer just drinking tea. ■

NOTES:

1. Transcript of USAID Iraq Sectoral Conference, Third Series, Local Governance Consultation, September 30, 2003. Accessed online at http://www.usaid.gov/iraq/vid_live093003_t.html.
2. Wall Street Journal (Asia), November 25, 2003.
3. Chris Kromm, Rania Masri and Tara Purohit, “Why No Democracy in Iraq?” Counterpunch, February 23, 2004.
4. Washington Post, June 28, 2003.
5. New York Times, January 18, 2004.
6. Los Angeles Times, January 18, 2004.
7. William Robinson, *A Faustian Bargain: US Intervention in the Nicaraguan Elections and American Foreign Policy in the Post-Cold War Era* (Boulder, CO: Westview Press, 1992).
8. Guardian, April 22, 2002.
9. Ronald Shaiko, “Political Party Development and USAID,” Democracy Dialogue (December 1999).
10. CPA Administrator’s Weekly Governance Report, March 13-19, 2004.
11. CPA Administrator’s Weekly Governance Report, February 7-13, 2004.
12. CPA Administrator’s Weekly Governance Reports, various dates.
13. Raad Ommar and Sabah Khesbak, “Conditions and Expectation for Private Enterprise in Iraq,”

- Iraqi American Chamber of Commerce and Industry, undated report; Nick Nadal and Zaid Abdul Hamid Abdul Moneim, “Iraq Trip Report,” Center for International Private Enterprise, internal memo, August 23-31, 2003.
14. Baghdad Citizen Advisory Council Handbook.
 15. USAID Local Governance Consultation, op cit.
 16. CPA Administrator’s Weekly Governance Report, January 3-February 6, 2004.
 17. CPA Administrator’s Weekly Governance Report, February 28-March 5, 2004.
 18. CPA Administrator’s Weekly Governance Report, March 6-12, 2004.
 19. Samuel P. Huntington, “The Modest Meaning of Democracy,” in Robert A. Pastor, *Democracy in the Americas: Stopping the Pendulum*, New York: Holmes and Meier, 1989, pp. 12-13.
 20. USAID Local Governance Consultation, op cit.
 21. Daily Times (Pakistan), February 19, 2004.
 22. Public Services International, August 20, 2002.
 23. CPA Administrator’s Weekly Governance Report, January 31-February 6, 2004.
 24. USAID, *Foreign Aid in the National Interest*, p. 13.
 25. *Ibid.*, p. 2.
 26. See William Robinson, *Promoting Polyarchy: Globalization, US Intervention and Hegemony* (Cambridge: Cambridge University Press, 1996), pp. 48-56.
 27. USAID, *Foreign Aid in the National Interest*, p. 48.
 28. Transcript of USAID Iraq Sectoral Conference, Third Series, Local Governance Consultation, June 19, 2003. Accessed online at http://www.usaid.gov/iraq/vid_live061903_t.html.
 29. USAID, *Foreign Aid in the National Interest*, p. 10.
 30. *Ibid.*, pp. 50, 51.
 31. *Ibid.*, p. 48.
 32. USAID Center for Democracy and Governance, *Policy Implementation: What USAID has Learned*, pp. 11-12.
 33. *Ibid.*, p. 5.
 34. USAID, *Foreign Aid in the National Interest*, p. 48.
 35. USAID, *Decentralization and Democratic Local Governance Programming Handbook*, pp. 33, 35.
 36. Robert Collier, “Democracy How?” The American Prospect, March 1, 2004.

War: Trade by Other Means

How the US is getting a free trade agreement minus the negotiations

BY MARY LOU MALIG

On June 28, two days before the announced date of handover of power, the United States transferred political authority in Iraq, in a meeting so secret only six people participated.¹ This was the much talked about handover of sovereignty to the Iraqi people that would effectively “end” the occupation of Iraq by the US.

INSTALLING MORE THAN JUST AN ORDER

Before it handed over “sovereignty” to Iraq, the US has done the humanitarian task of installing peace and order. This they did by issuing orders called the Coalition Provisional Authority (CPA) Orders or Bremer Orders for short. These orders covered almost everything from de-Baathification of Iraqi society to weapons control to management and use of Iraqi public property to new Iraqi Dinar banknotes. The CPA was impressively efficient in issuing orders compared to the haphazard way they have been repairing

basic infrastructure in the country.

A rather harmless looking CPA order number 39 on Foreign Investment was issued as part of this laundry list last September 19, 2003. Not more than six pages long, it disguises its true weight, for it carries with it the same impact of a 100-page free trade agreement and covers all essential elements of an investment agreement that usually take years for countries to agree upon.

In one swift move, the US installed a market economy geared towards “promoting foreign investment through the protection of the rights and property of foreign investors in Iraq.”

²These investor rights are not new. In fact its similarity to other investment agreements is a little too uncanny to be coincidental.

INVESTMENT BY ANY OTHER NAME

Order no. 39 was written following a blueprint. It is no accident that it reads exactly like various agreements involving the US - from a proposed treaty to a trilateral agreement to a multilateral agreement. And it is not a sweeping generalization to state that it reads like the Multilateral Agreement on Investment (MAI), the North America Free Trade Agreement (NAFTA), the Free Trade Area of the Americas (FTAA), the General Agreement on Trade in Services (GATS) under the World Trade Organization (WTO) and the Free Trade Agreement between the US and Chile.

There are key areas where all these agreements show coherence, and in most cases, show exact wording. (See Table 1 in PDF format to see exact wording used in these provisions, <http://www.focusweb.org/pdf/ml-matrix.pdf>) Order no. 39 may not have the exact wording, albeit because it is at least a hundred pages shorter than these agreements, but it still says the same thing.

It is important to note that these agreements are all different types: the MAI was a proposed treaty between 29 countries on investment but was stopped in 1998 by civil society opposition. The NAFTA is a trilateral agreement between Mexico, Canada and the US on trade and trade related issues. The FTAA is a hemispheric-wide free trade agreement covering 34 countries in North America, Central America, South America and the Caribbean (excluding Cuba). The GATS is an existing agreement under the WTO and the Free Trade Agreement between the US and Chile is a bilateral agreement on trade. The common factor of these agreements, aside from the ubiquitous presence of the US as the main driver in all of them, is their rules on investment.³

These agreements are still being fiercely opposed by social movements and people's organizations around the world because they give disproportionate protection to the investor at the expense of the state and citizens. The MAI, a treaty that was being

secretly negotiated in the Organization for Economic Cooperation and Development (OECD) created an uproar when the draft document was leaked in 1998. Civil society opposition was so intense that the OECD was forced to shelve it. The FTAA, called "NAFTA plus" by US negotiators is opposed by a hemispheric wide coalition of social movements, non-governmental organizations, trade unions and activists. Meetings of FTAA negotiators are regularly met by massive. The WTO's latest Ministerial held in Cancun, Mexico, ended in disarray as protests combined with developing countries' efforts to stick together effectively blocked negotiations and further agreements.

Order no. 39, which contains all the controversial investment provisions of these hotly contested agreements has, in contrast, had an easy passage: it was simply imposed on the Iraqis before they could even realize what was happening.

The main provisions of Order no. 39 are:

Definition of investment

"Foreign investment means investment by a foreign investor in any kind of asset in Iraq, including tangible and intangible property, and related property rights, shares and other forms of participation in a business entity, and intellectual property rights and technical expertise, except as limited by Section 8 of this Order"

This is a very broad definition of investment. Like in the MAI, the NAFTA, FTAA and US-Chile FTA, investment can cover almost anything from the traditional form of foreign direct investment through to portfolio investment. In the FTAA, it extends this coverage to "to include market share and access to markets, whether or not the investor has a physical presence."⁴ This is dangerous as the agreement affords the same privileges and protection to an investor that brings in capital and contributes to the domestic economy to a fly-by-night portfolio investor that can flee the country at first sight of crisis.

In the US-Chile FTA, it even includes in its definition investors who are intending to invest. This broad scope of investment

has been abused, as will be shown later, by corporations under the NAFTA.

National treatment

“(1) A foreign investor shall be entitled to make foreign investments in Iraq on terms no less favorable than those applicable to an Iraqi investor, unless otherwise provided herein.

“(2) The amount of foreign participation in newly formed or existing business entities in Iraq shall not be limited, unless otherwise expressly provided herein.”

National Treatment basically means that a foreign investor will be treated at least as favorably as the domestic investor. This provision has traditionally applied to goods — countries all set tariffs and quotas but once the foreign goods have entered the country, they are treated the same way as local goods.

National Treatment for a foreign investor however, is not so simple. A foreign investor especially in the case of Iraq, carries with it a tremendous amount of capital compared to the domestic investor. In developing countries, governments realize this disparity between big capital and small capital, as represented by local initiatives or entrepreneurs, and have tried to “level the playing field” by providing incentives or benefits to the local producers. Under this national treatment provision, it will no longer be possible to implement such local developmental policies and the government will have to extend the same tax break it would give to an local producer, to a multi-million dollar corporation.

Many governments who have enshrined this policy of building the domestic and national capacity by writing this into their constitutions now have to re-write their laws to adhere to this National Treatment provision. Under NAFTA, national treatment means better treatment for foreign investors as it “establishes new rights applicable only to foreign investors claiming compensation from taxpayers for the costs of complying with the same domestic policies that all domestic companies must follow.”⁵ Order no. 39 cuts to the chase and decrees 100 percent ownership of investment by foreigners and national treatment before the Iraqis can write their constitution.

A policy like this will wipe out whatever domestic capacity or investment that still exists in Iraq.

Performance requirements

Related to the provision on national treatment is the provision on performance requirements. Performance requirements are measures that governments impose on foreign investors to ensure that the country benefits from the investment. Traditionally, governments have required foreign investors to utilize a certain percentage of domestic content in goods, or technology transfer so as to build the domestic capacity or even just hiring locals. Measures like these aim to help the local economy and to spread the benefits of the investment to the communities.

But because under the National Treatment foreign investors are to be treated like domestic investors, it is “unfair” to impose performance requirements on them unless a government imposes the same requirements on domestic investors. The MAI, NAFTA, FTAA and US-Chile FTA put an absolute ban on performance requirements. And although Order no. 39 does not ban it, one can safely assume it will use the provision on national treatment to ensure no performance requirements are imposed on foreign investors. As it states in Section 2: “This Order specifies the terms and procedures for making foreign investments and is intended to attract new foreign investment to Iraq.”

Capital controls

“Transfer abroad without delay all funds associated with its foreign investment, including:

- i) shares or profits and dividends;*
- ii) proceeds from the sale or other disposition of its foreign investment or a portion thereof;*
- iii) interest, royalty payments, management fees, other fees and payments made under a contract; and*
- iv) other transfers approved by the Ministry of Trade;”*

Capital controls allow governments to manage exchange and interest rates, and thereby provide some protection against financial crisis. The most vivid example of

the absence of capital controls was the Asian economic crisis where the massive flight of capital from the region triggered a domino effect of instability and left the countries in ruin. Countries have shown the effective implementation of capital controls. In Chile, it is called “encaje” and the use of these measures from the period of 1991 to 1998 allowed the country to avoid the financial crises that rocked many of its neighbors.⁶

The US-Chile FTA targets the use of encaje and specifies that its use is to be limited and if it is utilized, Chile must pay compensation to foreign investors. The proposed FTAA does not limit the use of capital controls, but rather bans it: “Article 9 of the draft FTAA Investment Chapter, even more clearly than Article 1109 of NAFTA, would prevent sovereign states from using this type of capital controls.”⁷ Order no. 39 repeats this language and bans any kind of capital control on foreign investment. This means that a foreign investor can rake in profits from Iraqis and then send all those profits back to their home country. There is no need to reinvest it in Iraq or to ensure that at least a portion of the profits get recycled into the Iraqi economy.

Dispute settlement

“Disputes between a foreign investor and an Iraqi investor pertaining to investment in Iraq, or between a foreign investor and an Iraqi legal or natural person, shall be resolved in accordance with the dispute resolution provisions contained in any applicable written agreement governing the relationship between the parties. The parties may elect in any agreement to utilize the arbitration mechanisms outlined in Iraqi law.”

Of all the provisions, dispute settlement is probably the most controversial. The concept of binding, rules based dispute settlement mechanism in trade agreements was introduced in the World Trade Organization. In fact, this is what made it unique. As leading activists have said it, “The WTO is a global trade institution with teeth.”⁸ This is because, with the dispute settlement mechanism, the WTO can sanction countries for not following the trade rules. The state-state dispute settlement process of the WTO means that a government can sue another government for

actions that can be deemed discriminatory or implementing measures that can be equated as “trade barriers.” Once found “guilty” by the dispute settlement body “the losing country has three choices: change its law to conform to the WTO ruling; face harsh, permanent economic sanctions; or pay permanent compensation to the winning country.”⁹

NAFTA on the other hand, goes a step further than the WTO by adding an “investor to state” dispute settlement mechanism. In the WTO, only governments can sue other governments. In the NAFTA however, a foreign corporation can directly sue a government for impeding its right to profit in that country. This provision has been the target of international opposition as it allows foreign investors to challenge democratically written national and domestic policies and even stop in mid-track policies that governments are about to implement. “In the very first NAFTA investor-to-state case ever litigated, which involved US Ethyl Corporation, Canada moved to rescind its environmental and public health measure regulating a gasoline additive developed by Ethyl even before the final NAFTA tribunal ruling in an effort to avoid a large damage reward.”¹⁰

Canada had good reason to want to avoid a large damage reward. Since the implementation of NAFTA, the total amount of damages claimed by foreign investors has been a total of 13 billion USD - USD1.8 billion from US taxpayers, USD249 million from Mexican taxpayers and a USD11 billion from Canadian taxpayers.”¹¹

These disputes are filed, heard and judged in dispute settlement courts outside of national jurisdiction and outside the reach of people. The NAFTA decrees that these disputes be settled by only two courts: the World Bank’s International Center for Settlement of Investment Disputes (ICSID) or the United Nations Commission on International Trade Law (UNCITRAL). The ICSID was used primarily for private disputes between corporations and therefore it made sense that it was not accessible to the public. However, at present, the ICSID is being used to settle disputes that involve corporations and governments

and the money used to pay the damages claimed by foreign corporations are the losing country's taxpayers' money. The UNCITRAL is even worse as its rulings, like the ICSID's, are binding but it "does not collect"¹² and therefore does not make public even basic information about pending and concluded cases, in fact, the history of cases brought under its rules is not known."

¹³ These hearings, both under ICSID and UNCITRAL are closed to the public, have no appeals process and are binding.

This investor to state provision together with the state-to-state dispute settlement provision are present in all these agreements. The authors of Order no. 39 anticipated this need for dispute settlement in the future and covered all bases by specifying that disputes in Iraq pertaining to foreign investment will be settled using whatever arbitration procedures are present in applicable agreements.

It is not only the fact that foreign corporations are given the right to sue governments that is contestable, it is the actual cases they file. All the cases filed under NAFTA and one anticipates in FTAA and other agreements, have used the argument of expropriation. Expropriation has traditionally meant an action of a government that takes away the right of an investor to profit, for example, when a government reclaims the foreign investors' property to use as a public road. Expropriation, however, under these investment laws has an expanded meaning:

1) Private property not only refers to land and physical assets, but the market-determined commercial value of property, including a company's asset value and future profit earnings.

2) Traditionally compensation was awarded only when the whole value of property was lost. Under the new definition it applies when any part of its commercial value is lost.

3) It is not only expropriation but acts "tantamount to expropriation" that require compensation. This means that a wide range of government policies, laws or administrative measures can be treated as having a similar effect as expropriation.¹⁴

What this expanded definition means in

layman's terms is that a foreign corporation can sue the government for almost anything so long as it impedes in any way its right to profit, in real terms or in theory. A well-known case is Metalclad, a US firm, which sued Mexico because the government imposed environmental measures, citing that this impeded Metalclad's right to profit.

It is interesting to note why the US just did not add this expanded definition of expropriation in Order no. 39 since it put all the key provisions, from national treatment to dispute settlement, of the investment agreements already. A theory could be that if stated in Order no. 39, it can benefit non-US foreign investors, specifically European investors whose governments did not aid the US in its invasion of Iraq.

A footnote

"Where an international agreement to which Iraq is a party provides for more favorable terms with respect to foreign investors undertaking investment activities in Iraq, the more favorable terms under the international agreement shall apply."

As stated earlier, Order no. 39 anticipates the entry of Iraq into other international agreements like the WTO and bilateral agreements. It therefore adds, almost as a footnote at the end of the order, a provision that ensures that whatever agreements Iraq joins later, will still be beneficial to foreign investors.

Order no. 39 ties in with the other orders issued by the CPA — a Banking Law, the Company Law, Trade Liberalization and an order on taxes. All of them complement each other in establishing the Iraqi economy as a corporate haven. As the Iraqi Minister of Finance Kamel Al-Gailani explained, these measures are all part of the plan to reconstruct Iraq. "The reforms will significantly advance efforts to build a free and open market economy in Iraq."¹⁵

QUICK, WHILE NO ONE'S LOOKING

In the end, Order no. 39 encapsulates all key provisions of trade and investment agreements that took months, if not years to pass, in other

countries and in other multilateral fora. These agreements were negotiated and with the case of the FTAA is still being negotiated in highly secretive meetings. The MAI would not have been opposed if its draft document had not been leaked out into the internet by activists. The NAFTA was passed with many legislators not knowing what they agreed to. President George W. Bush used the fast track privilege where congress' participation is limited to a vote of yes or no to the whole agreement. The US-Chile FTA was so secret that two months after it was signed,

Chilean social movements still could not get a copy of the agreement. This is because if the public were allowed to participate, provisions that privilege foreign investors over the people and public interests would never go through.

Even now, many developing country governments are fighting to defend their own national interests, albeit domestic corporate interests. The FTAA for example has eight definitions of investment and the text itself is heavily bracketed, indicating the high level of disagreement between negotiators. In the WTO, the US and its cohorts have to resort to arm-twisting or threats of military or economic sanctions to get agreements passed.

Order no. 39 was met with no such resistance simply because the people of Iraq were not asked if they agreed to it or not. While the people of Iraq are busy defending their lives and resisting the occupation, the US slipped in an order that effectively binds the Iraqis to a trade agreement that enshrines the rights of foreign investors, and as detailed above, surpasses many existing agreements. Besides, as a top US military official best explains, there was no need for negotiations as the US is in control of Iraq, "At this point we'd be negotiating with ourselves because we are the government."¹⁶ ■

NOTES:

1. Coalition Provisional Authority Administrator Paul Bremer, Iraq interim Prime Minister Ayad Allawi, Iraq interim President Ghazi Yawar, Chief Justice Mehdad Mahmoudi, Deputy Prime Minister Barham Salih and British envoy David Richmond.
2. Section 2 of CPA Order no. 39
3. The GATS is an agreement on trade in services not investment. But since in its four "modes of supply" in trade in services, it covers foreign direct investment in services ("by a service supplier of one Member, through commercial presence in the territory of any

other Member;") GATS can then be said to have rules on investment and is thus called by some as the first multilateral investment agreement under the WTO.

4. Alianza Social Continental, "The FTAA Unveiled: A Citizens' Critique of the November 2002 Draft of the Free Trade Area of the Americas" January 2003. p. 56

5. Public Citizen, "NAFTA Chapter 11 Investor-to-State Cases: Bankrupting Democracy Lessons for Fast Track and the Free Trade Area of the Americas" Washington DC, September 2001, p. iv

6. Alianza Social Continental, "The FTAA Unveiled," p. 51

7. Article 9 of the draft FTAA Investment Chapter, even more clearly than Article 1109 of NAFTA, would prevent sovereign states from using this type of capital controls." p. 51

8. Barlow, Maude and Clarke, Tony. "Making the Links: A People's Guide to the WTO and the FTAA" Council of Canadians and Polaris Institute 2003. p.5

9. Barlow, Maude and Clarke, Tony. "Making the Links," p.6.

10. Public Citizen, "NAFTA Chapter 11 Investor-to-State Cases: Bankrupting Democracy Lessons for Fast Track and the Free Trade Area of the Americas" Washington DC, September 2001, p. 4

11. Public Citizen, "NAFTA Chapter 11 Investor-to-State Cases," p.vi

12. This inability to document cases of the UNCITRAL is attributed to a lack of administrative staff, which takes a stretch of imagination to believe.

13. Public Citizen, "NAFTA Chapter 11 Investor-to-State Cases," p.7

14. Greenfield, Gerard. "The NAFTA ruling on Metalclad vs. Mexico - The Broader Context - September 2000

15. Press Statement: Iraqi Minister of Finance Kamel Al-Gailani, September 21, 2003

16. Top US military official quoted

A Declaration of War against Farmers

How Iraq's new patent law denies Iraqis food sovereignty

BY FOCUS ON THE GLOBAL SOUTH AND GRAIN

When former Coalition Provisional Authority (CPA) administrator L. Paul Bremer III left Baghdad after the so-called “transfer of sovereignty” in June 2004, he left behind the 100 orders he enacted as chief of the occupation authority in Iraq. Among them is Order 81 on “Patent, Industrial Design, Undisclosed Information, Integrated Circuits and Plant Variety.”¹ This order amends Iraq’s original patent law of 1970 and unless and until it is revised or repealed by a new Iraqi government, it now has the status and force of a binding law.²

With important implications for farmers and the future of agriculture in Iraq, this order is yet another important component in the United States’ attempts to radically transform Iraq’s economy.

WHO GAINS?

For generations, small farmers in Iraq operated in an essentially unregulated, informal seed supply system. Farm-saved seed and the free innovation with and exchange of planting materials among

farming communities has long been the basis of agricultural practice. This has been made illegal under the new law. The seeds farmers are now allowed to plant — “protected” crop varieties brought into Iraq by transnational corporations in the name of agricultural reconstruction — will be the property of the corporations.

While historically the Iraqi constitution prohibited private ownership of biological resources, the new US-imposed patent law introduces a system of monopoly rights over seeds. Inserted into Iraq’s previous

patent law is a whole new chapter on Plant Variety Protection (PVP) that provides for the “protection of new varieties of plants.” PVP is an intellectual property right (IPR) or a kind of patent for plant varieties which gives an exclusive monopoly right on planting material to a plant breeder who claims to have discovered or developed a new variety. So the “protection” in PVP has nothing to do with conservation, but refers to safeguarding of the commercial interests of private breeders (usually large corporations) claiming to have created the new plants.

To qualify for PVP, plant varieties must comply with the standards of the UPOV³ Convention, which requires them be new, distinct, uniform and stable. Farmers’ seeds cannot meet these criteria, making PVP-protected seeds the exclusive domain of corporations. The rights granted to plant breeders in this scheme include the exclusive right to produce, reproduce, sell, export, import and store the protected varieties. These rights extend to harvested material, including whole plants and parts of plants obtained from the use of a protected variety. This kind of PVP system is often the first step towards allowing the full-fledged patenting of life forms. Indeed, in this case the rest of the law does not rule out the patenting of plants or animals.

The term of the monopoly is 20 years for crop varieties and 25 for trees and vines. During this time the protected variety de facto becomes the property of the breeder, and nobody can plant or otherwise use this variety without compensating the breeder. This new law means that Iraqi farmers can neither freely legally plant nor save for replanting seeds of any plant variety registered under the plant variety provisions of the new patent law.⁴ This deprives farmers what they and many others worldwide claim as their inherent right to save and replant seeds.

CORPORATE CONTROL

The new law is presented as being necessary to ensure the supply of good quality seeds in Iraq and to facilitate Iraq’s accession to the WTO.⁵ What it will actually do is facilitate the penetration of Iraqi agriculture by the

likes of Monsanto, Syngenta, Bayer and Dow Chemical - the corporate giants that control seed trade across the globe. Eliminating competition from farmers is a prerequisite for these companies to open up operations in Iraq, which the new law has achieved. Taking over the first step in the food chain is their next move.

The new patent law also explicitly promotes the commercialisation of genetically modified (GM) seeds in Iraq. Despite serious resistance from farmers and consumers around the world, these same companies are pushing GM crops on farmers around the world for their own profit. Contrary to what the industry is asserting, GM seeds do not reduce the use of pesticides, but they pose a threat to the environment and to people’s health while they increase farmers dependency on agribusiness. In some countries like India, the ‘accidental’ release of GM crops is deliberately manipulated⁶, since physical segregation of GM and GM-free crops is not feasible. Once introduced into the agro-ecological cycle there is no possible recall or cleanup from genetic pollution.⁷

As to the WTO argument, Iraq legally has a number of options for complying with the organisation’s rules on intellectual property but the US simply decided that Iraq should not enjoy or explore them.

RECONSTRUCTION FACADE

Iraq is one more arena in a global drive for the adoption of seed patent laws protecting the monopoly rights of multinational corporations at the expense of local farmers. Over the past decade, many countries of the South have been compelled⁸ to adopt seed patent laws through bilateral treaties.⁹ The US has pushed for UPOV-styled plant protection laws beyond the IPR standards of the WTO in bilateral trade through agreements for example with Sri Lanka¹⁰ and Cambodia.¹¹ Likewise, post-conflict countries have been especially targeted. For instance, as part of its reconstruction package the US has recently signed a Trade and Investment Framework Agreement with Afghanistan,¹² which would also include IPR-related issues.

Iraq is a special case in that the adoption of the patent law was not part of negotiations between sovereign countries. Nor did a sovereign law-making body enact it as reflecting the will of the Iraqi people. In Iraq, the patent law is just one more component in the comprehensive and radical transformation of the occupied country's economy along neo-liberal lines by the occupying powers. This transformation would entail not just the adoption of favoured laws but also the establishment of institutions that are most conducive to a free market regime.

Order 81 is just one of 100 Orders left behind by Bremer and among the more notable of these laws is the controversial Order 39 which effectively lays down the over-all legal framework for Iraq's economy by giving foreign investors rights equal to Iraqis in exploiting Iraq's domestic market. Taken together, all these laws, which cover virtually all aspects of the economy — including Iraq's trade regime, the mandate of the Central Bank, regulations on trade union activities, etc. — lay the bases for the US' bigger objective of building a neo-liberal regime in Iraq. Order 81 explicitly states that its provisions are consistent with Iraq's "transition from a non-transparent centrally planned economy to a free market economy characterised by sustainable economic growth through the establishment of a dynamic private sector, and the need to enact institutional and legal reforms to give it effect."

Pushing for these "reforms" in Iraq has been the US Agency for International Development, which has been implementing an Agricultural Reconstruction and Development Program for Iraq (ARDI) since October 2003. To carry it out, a one-year US\$5 million contract was granted to the US consulting firm Development Alternatives, Inc.¹³ with the Texas A&M University¹⁴ as an implementing partner. Part of the work has been sub-contracted to Sagric International¹⁵ of Australia. The goal of ARDI in the name of rebuilding the farming sector is to develop the agribusiness opportunities and thus provide markets for agricultural products and services from overseas.

Reconstruction work, thus, is not

necessarily about rebuilding domestic economies and capacities, but about helping corporations approved by the occupying forces to capitalise on market opportunities in Iraq.¹⁶ The legal framework laid down by Bremer ensures that although US troops may leave Iraq in the conceivable future, US domination of Iraq's economy is here to stay.

FOOD SOVEREIGNTY

Food sovereignty is the right of people to define their own food and agriculture policies, to protect and regulate domestic agricultural production and trade, to decide the way food should be produced, what should be grown locally and what should be imported. The demand for food sovereignty and the opposition to the patenting of seeds has been central to the small farmers' struggle all over the world over the past decade. By fundamentally altering the IPR regime, the US has ensured that Iraq's agricultural system will remain under "occupation" in Iraq.

Iraq has the potential to feed itself. But instead of developing this capacity, the US has shaped the future of Iraq's food and farming to serve the interests of US corporations. The new IPR regime pays scant respect to Iraqi farmers' contributions to the development of important crops like wheat, barley, date and pulses. Samples of such farmers' varieties were starting to be saved in the 1970s in the country's national gene bank in Abu Ghraib outside Baghdad. It is feared that all these have been lost in the long years of conflict. However, the Syria-based Consultative Group on International Agricultural Research (CGIAR)¹⁷ centre - International Centre for Agricultural Research in Dry Areas (ICARDA) still holds accessions of several Iraqi varieties. These collections that are evidence of the Iraqi farmers' knowledge are supposed to be held in trust by the centre. These comprise the agricultural heritage of Iraq belonging to the Iraqi farmers that ought now to be repatriated. There have been situations where germplasm held by an international agricultural research centre has been "leaked out" for research and development

to Northern scientists.⁸ Such kind of “biopiracy” is fuelled by an IPR regime that ignores the prior art of the farmer and grants rights to a breeder who claims to have created something new from the material and knowledge of the very farmer.

While political sovereignty remains an illusion, food sovereignty for the Iraqi people has already been made near impossible by these new regulations. Iraq’s freedom and sovereignty will remain questionable for as long as Iraqis do not have control over what they sow, grow, reap and eat. ■

NOTES:

1. Patent, Industrial Design, Undisclosed Information, Integrated Circuits and Plant Variety Law of 2004, CPA Order No. 81, 26 April 2004, http://www.iraqcoalition.org/regulations/20040426_CPAORD_81_Patents_Law.pdf
2. The PVP provisions will be put into effect as soon as the Iraqi Minister of Agriculture passes the necessary executive orders of implementation in accordance with this law.
3. UPOV stands for International Union for the Protection of New Plant Varieties. Headquartered in Geneva, Switzerland it is an intergovernmental organisation with 53 members, mostly industrialised countries. The UPOV Convention is a set of standards for the protection of plant varieties, mainly geared toward industrial agriculture and corporate interests. See <http://www.upov.org>.
4. Chapter Threequarter Article 15 B: Farmers shall be prohibited from re-using seeds of protected varieties or any variety mentioned...
5. The World Trade Organisation, wherein the Iraqi Government has an observer status.
6. <http://www.grain.org/research/contamination.cfm?agenda>
7. GRAIN, “Confronting contamination: 5 reasons to reject co-existence”, Seedling, April 2004, p 1. <http://www.grain.org/seedling/?id=280>
8. GRAIN, PVP in the South: caving in to UPOV, <http://www.grain.org/rights/tripsreview.cfm?id=64>
9. GRAIN, Bilateral agreements imposing TRIPS-plus intellectual property rights on biodiversity in developing countries, <http://www.grain.org/rights/tripsplus.cfm?id=68>
10. <http://www.grain.org/brl/?typeid=15>
11. http://www.bilaterals.org/article.php3?id_article=387
12. http://www.ustr.gov/Document_Library/Press_Releases/2004/September/United_States_Afghanistan_Sign_Trade_Investment_Framework_Agreement.html
13. www.dai.com
14. The University’s Agriculture Program “is a recognised world leader in using biotechnology...” & the University works closely with the USDA Agriculture Research Service.
15. www.sagric.com.au

16. http://www.export.gov/iraq/market_ops/index.html

17. Consultative Group on International Agricultural Research (CGIAR) system, with its 16 International Agricultural Research Centres (IARCs) of which ICARDA is one, holds the world’s largest collections of plant genetic resources outside their natural habitat, which includes both farmers’ varieties and improved varieties.

18. In 2001 it was discovered that a US plant geneticist had obtained the seeds of the original strain of the famed Thai Jasmine rice, Khao Dok Mali (KDM) 105, from the Philippines-based CGIAR centre - International Rice Research Institute (IRRI). But no Material Transfer Agreement (MTA) signed in the process, despite international obligations on IRRI to enforce this.

Reconstruction: A Glimpse into an Emerging Paradigm

BY SHALMALI GUTTAL

Over the past two decades, post-war or post-conflict reconstruction has emerged as a quintessential framework for establishing neo-liberal policy regimes in newly liberated nations (such as Timor Leste), countries emerging from protracted periods of violent conflict (such as Cambodia, Haiti, El Salvador and Nicaragua), and countries subjected to external aggression and occupation (such as Afghanistan and Iraq). Many elements of these policy regimes can also be found in countries undergoing structural changes to their national political and economic systems, as in the ‘transition’ countries of Central Asia and mainland Southeast Asia.

Although re-building communities and societies after periods of severe crises, upheavals and armed conflicts is not a new phenomenon, the recurring economic and political characteristics of the development model prescribed by external actors in the name of “reconstruction” and “nation building” have paradigmatic implications.

Reconstruction literally involves everything, from the demobilization of armed groups and peace-keeping to

writing new constitutions, formulating new national laws and fast-tracking foreign investment. Whether in Cambodia, Timor Leste, Haiti, El Salvador, Nicaragua, Iraq or Afghanistan, the elements that loosely constitute the emerging reconstruction model are more or less the same. These generally include: a UN-led mission for “transitional” administration, peace-keeping and donor coordination; efforts to shape the contours of national “leadership” through

support for electoral, constitutional and governance activities; the development of national sectoral plans, economic and fiscal policies, and government and institutional capacity by foreign experts; the transfer of essential services provision to private sector firms; and a plethora of international non-governmental organizations (NGOs) and newly emerging national/local 'civil society organisations' (CSOs) engaged in activities ranging from micro-credit and primary health care to democracy and human rights training.

The similarity among reconstruction programmes in different countries is not co-incidental. Rather it reflects conscious and deliberate planning by a set of actors who have arrogated upon themselves the responsibility of defining development and security for the world's peoples. Present day reconstruction efforts are led by a combination of actors with distinct, but often overlapping roles: rich donor nations from the North, International Financial Institutions (IFIs), United Nations (UN) and other inter-governmental agencies, multilateral security forces, humanitarian relief and development agencies, private enterprises, and national and international NGOs. Reconstruction is financed largely through multilateral and bilateral loans and grants. Money for reconstruction is not free. It comes tied to conditionalities from donors and creditors. Governments of countries undergoing reconstruction generally have little input into the policy prescriptions doled out to them, although many officials among their ranks are more than willing to collaborate in the imposition of economic and political systems that help them corner power, influence, and wealth.

The fundamental tenets of concurrent reconstruction programmes are derived from neo-liberal ideology and emphasise rapid integration of domestic markets with the global market-place, free flow of capital, privatisation, deregulation and an overall reorientation of governmental responsibilities towards protecting and facilitating free market conditions for creating wealth, much of which is expropriated by private sector actors from outside the country and consolidated by

national elites. Although the fine print of the reconstruction model applied in each country might vary here and there, the overall systems and structures that the model defines are the same, regardless of the differing histories and economic and political contexts of the affected countries. Further, the success and failure of reconstruction efforts are assessed not by the levels of sustained economic, social, political and physical security of domestic populations, but by the speed and extent of compliance with externally determined standards such as establishing a market economy, good governance, liberal democracy, etc. Conditions for national sovereignty are determined by those who front the cash for reconstruction rather than by democratically elected governments and empowered citizens, and ensure continued control by outside powers over the country's resources and political direction.

SETTING UP FAILED STATES

Countries subjected to reconstruction programmes are generally regarded by the international development establishment as displaying characteristics of 'failed states,' i.e., their state apparatuses are unable to exercise full control over their respective territories, are unable to fulfill domestic and international development and legal obligations, lack effective national judicial systems to ensure the 'rule of law,' do not demonstrate the requisites of liberal democracy, and are unable to prevent their territories from being used in the perpetration of economic and other crimes.¹

Although war, internal armed conflicts and upheavals caused by violent political and economic changes do result in weak and often dysfunctional national structures and institutions, the imposition of a neo-liberal economic and political order as a condition to financing reconstruction so debilitates national capacities that countries undergoing reconstruction remain in a continuing condition of state failure. The aspirations of local populations for peace, economic and social security and political stability become secondary to the vision

of reconstruction's architects. The project of 'nation building' becomes captive to the economic and geo-political interests of those who finance and direct reconstruction, especially the countries of the G-7 and primarily the United States (US).

With regard to the reconstruction of Guatemala, El Salvador and Nicaragua, Alejandro Bendana notes, "In this case, as in others the world over, 'nation-building' took the form of following an economic and political blueprint largely designed by the multilateral financial institutions in Washington. What we witness therefore is the transformation of nation-states and nation-building into the creation of neo-liberal national states."² A study on trends in bilateral and multilateral emergency and development assistance in Cambodia from 1992-1995 notes that, "Unfortunately, aid flows in crisis periods are not necessarily adjusted to the needs and absorptive capacity of the recipient country, but are more attuned to the political needs of donors seeking to manifest foreign policy."³

A question donors and multilateral institutions appear loath to confront is, who determines—and on what grounds that one or another state or regime lacks legitimacy? Despite the obvious illegality of the US-led war on Iraq and the subsequent attempts to pillage the country's resources under the banner of reconstruction, the handing out of plum contracts by the Coalition Provisional Authority (CPA) in Iraq to US-favoured corporations was not challenged on ethical grounds by either the UN or donor countries. A number of European corporations even applied pressure on their respective governments to take conciliatory positions towards the US and its "coalition of the willing" so that they could be eligible for a piece of Iraq's reconstruction pie. UN envoy Lakhdar Brahimi's endorsement of the US controlled Governing Council's choice in selecting the Prime Minister and other top officials of the interim government in Iraq was viewed by the progressive peace movement as "blue-washing" by the UN of the illegal invasion and occupation of Iraq.

Theories about state failure produced by mainstream academic institutions, think tanks and donor agencies consistently ignore

the systemic causes of such failure and their accompanying cycles of impoverishment and conflict. The draining of national wealth through colonial structures of production, debilitating debt repayment burdens and the structural adjustment programmes imposed by the World Bank and the International Monetary Fund (IMF) rarely figure in analyses of negative economic growth, deepening poverty and poor governance in ostensibly failed states. Nor do radical transformations of national economies and governance structures brought about by international political and economic pressures. We are exhorted to believe that countries in Africa, Central America and Asia have corrupt, unaccountable governments, lack the 'rule of law,' do not provide for their citizens and are susceptible to terrorist activities within their boundaries because they have not yet put in place the requisites of liberal democracies and market structures of the West. Iraqis are hungry and dissatisfied not because of ten years of back-breaking economic sanctions but because Saddam Hussein was a dictator. Palestinians are poor and insecure not because their rights to land, sovereignty, and self-determination are violated by Israel's expanding settlements but because the Palestinian Authority is unable to stem the rising squads of suicide members.

A recurring theme in discussions on state failure is the abuse of state power by ruling elites, lack of adherence to the 'rule of law' and the urgent need for effective and good governance. Although the abuse of state power is a serious problem in countries undergoing reconstruction, it is not the sole preserve of their ruling elites. Many northern and other governments—especially the US—have propped up and colluded with dictatorial regimes to further vested interests. From 1950 through 1975, the US financed covert operations and government factions in the Lao Peoples' Democratic Republic (PDR), Cambodia and Vietnam in a bid to stem the spread of communism. After the Khmer Rouge was ousted from power by Vietnamese-backed forces in 1978, the US, in collaboration with the Thai military, started to channel covert aid to Khmer Rouge controlled regions

along the Thai-Cambodian border, thus protracting a state of internal conflict in a country emerging from three years of the Khmer Rouge's brutal, genocidal reign. In 1979, former US National Security Adviser Zbigniew Brzezinski said, "I encouraged the Chinese to support Pol Pot. Pol Pot was an abomination. We could never support him, but China could." According to Brzezinski, the USA "winked, semi-publicly" at Chinese and Thai aid to the Khmer Rouge.⁴

The US, many European governments, and countries in the Association of Southeast Nations (ASEAN) maintained diplomatic and economic ties with Indonesia under President Suharto's regime. It is now public knowledge that much of the money channeled to Suharto's government by donor countries and the World Bank was used to brutally repress civil and political dissenters in Indonesia, and to finance Indonesian military actions in Timor Leste, West Papua and Aceh.⁵ Ironically, these same actors now demand adherence to human rights and democratic principles by Timor Leste, Cambodia, Vietnam and the Lao PDR. Noting US military, political and economic interventions in Afghanistan, Iraq, Vietnam and Haiti — all of which are labelled "failed states," Rick Salutin notes that, "To the extent that Haiti has often 'failed,' it hardly did so on its own. In the real world—personal or political—almost no one fails by themselves."⁶

The lack of historical and international dimensions in analyses of state failure renders them ideological, and thereby results in solutions that are also ideological rather than grounded in the political economy of conflicts and their impacts on states and peoples. If donors can attribute violence and poverty to corruption by greedy national elites and the absence of 'good governance' as defined by the World Bank, then surely the solution must lie in insisting that countries undergoing reconstruction apply World Bank prescribed conditions of good governance. The World Bank model of good governance demands that governments put in place legal and administrative systems that are private sector- and market-friendly and create an "enabling" environment for foreign investment. Good governance does

not require a failing state to prioritise the development needs of its own population, provide jobs, food and affordable healthcare, protect its producers from cheap imports, or regulate the activities of foreign capital through national laws. Sovereignty is a great idea as long as it ensures that a struggling nation accepts its subservience to global capitalism and uses its state power to put in place free market reforms.

PRIVATISATION HAVENS

An emerging tendency in post-conflict theorizing is to "normalise" situations of protracted instability so that development can carry on without a "well entrenched" or coherent state.⁷ The World Bank, UN agencies and donor governments are content to turn over development activities to private actors on grounds that weak, dysfunctional, and authoritarian governments are unable to meet their national development obligations. Services provision, humanitarian relief, and even security and conflict management responsibilities are routinely farmed out to corporate actors and national and international NGOs.

In Cambodia, national NGOs emerged as a conditionality of development aid demanded by donors during the early reconstruction phase led by the United Nations Transitional Authority in Cambodia (UNTAC). While UNTAC was busy trying to demobilize soldiers, establish law and order, repatriate refugees and establish a civil administration, the work of development was handed over to international NGOs. It became quickly apparent to donors that development activities managed entirely by international NGOs contradicted claims of sustainability and building national capacity. Thus came the push for the Royal Cambodian Government to create legal provisions for the establishment of national NGOs who could receive development aid directly from donors. From 1992 onwards, international and national NGOs were engaged in a wide range of activities in Cambodia – from clearing mines and emergency relief to setting up schools and hospitals, providing job training and building food security. From 1992-1995,

huge levels of development aid were disbursed by donors for reconstruction and development, but much of this money did not pass through Cambodian Government channels. According to a study on aid flows during this period, substantial amounts of this aid was not even spent inside Cambodia and the funds were largely managed by non-Cambodians.

“In the rush to repatriate people from the Thai-Cambodian border and to jump-start rehabilitation efforts, the participation of the government bureaucracy was largely ignored. In effect, a parallel structure was created with NGOs, multilateral agencies, and consultants performing many of the tasks normally assumed by government personnel. The urgency of donors to implement high-cost emergency programmes was, ironically, in conflict with the slow process of rebuilding societal institutions needed to manage aid effectively.”⁸

A decade later, similar trends emerged in Timor Leste, except that there, consultants, “experts” and specialized private sector firms completely dwarf local CSOs in the amounts of donor funds they receive for rehabilitating the country’s infrastructure and providing “technical support” to every sector and line ministry. Many service delivery arms of the government have been outsourced to private firms and it is common to see expatriates carrying out key government functions. Although Timorese themselves concur that there is indeed a serious shortage of skilled and experienced Timorese organizations and personnel to meet the country’s development needs, none would deny that reconstruction in Timor Leste is a massive cash cow for the international reconstruction industry.

Further to the west in Iraq, another type of out-sourcing has burgeoned: the privatization of security. The public killings of four private security personnel in Fallujah in March 2004 brought the world’s attention to the huge presence of mercenary soldiers in Iraq. The CPA, which served as Iraq’s administrative power before the establishment of the interim government, attracted thousands of private military

personnel from private military companies (PMCs). In May 2004, the US State Department listed more than 25 PMCs doing business in Iraq, most of them from the United States or Britain.⁹ These include Blackwater, DynCorps, Kellogg Brown and Root (KBR), Control Risks, Global Risk Strategies and Erinys. PMCs have provided security for senior members of the CPA as well as for high-end corporations such as Bechtel and Halliburton.

According to some researchers, the numbers of private military personnel in Iraq is unprecedented in both, scale and scope. Under the misleading label of “civilian contractors,” PMCs provide personal security, guard food shipments, oil pipe-lines and military installations, feed and house coalition troops, maintain key weapon systems and increasingly get drawn into gun battles with the Iraqi resistance in place of coalition soldiers.¹⁰ Although a dangerous business, private security is hugely profitable in Iraq and Afghanistan. “Security” has become Britain’s most lucrative post-war export to Iraq and British PMC revenues have gone from 200 million pounds before the war to over 1 billion pounds.¹¹ As the cost of doing business goes up in an increasingly insecure Iraq, so do the profits of the PMCs. And future multi-billion dollar World Bank and UN reconstruction funds for Iraq are likely to increase these profits even more.

THE POLITICS OF DEMOCRACY

Given that countries undergoing reconstruction have been either deemed failed states, or diagnosed as heading towards state failure, “democracy promotion” is identified by donors as a high priority activity and figures prominently in all reconstruction programmes. In Cambodia during the early 1990s, bilateral donors and the UNTAC spent huge amounts of money on preparing the country for the impending elections. Key features of this preparatory work were “human rights education” and “democracy education,” which were carried out by international NGOs and sought to educate the Cambodian public about liberal democracy and liberal notions of “good governance.” Cambodians reeling from over

thirty years of political turmoil instigated and manipulated by external political forces were understandably mystified by the aggressive promotion of yet another system of political and economic governance by yet another set of external actors. Given their long and first-hand experience of physical violence and political repression, Cambodians did not need to learn what their human rights were; they were more interested to know what the international community could do to ensure these rights—foremost among them the right to self-determination and justice. To date, this guarantee still proves elusive.

In Timor Leste, the vanguards of democracy promotion are USAID—the international aid arm of the US Government—the International Republican Institute (IRI) and the National Democratic Institute (NDI). The IRI and the NDI are the foreign policy wings of the US Republican Party and Democrat Party respectively, and are both part of an umbrella group funded by the quasi-governmental National Endowment for Democracy (NED) in the USA. These are the same groups who were involved in the attempted coup against the Chavez Government in Venezuela and the successful coup against the Aristide Government in Haiti.¹² USAID funds non-governmental media groups, CSOs working on legal reform, media training and policy research, and fledgling political parties who form the opposition to FRETILIN, Timor Leste's ruling party. IRI's "democracy promotion" activities have deepened tensions and mistrust between FRETILIN, opposition parties and local CSOs. In 2003, rumors were rife in Dili, Timor Leste's capital, that the IRI was supporting a shadow government in the country. Many view the implementation of a repressive immigration law banning foreigners from engaging in political activities as a direct response by FRETILIN to IRI's political meddling.¹³

The increasing involvement of NGOs in donor-driven democracy promotion indicates a cross-over from more conventional humanitarian and developmental activities into the open realm of politics. Based on his experience in Afghanistan, Conor Foley argues that it

is becoming increasingly difficult for NGOs to argue that their work is unconnected with politics.

"Since the advent of the Bush administration and September 11, the 'humanitarian space' in which aid workers can operate has been steadily shrinking. During the 1990s some aid NGOs moved away from their traditional position of neutrality by calling for Western military intervention, for humanitarian purposes, in certain circumstances. Aid workers now cooperate with the military in conflict and post-conflict zones through practical necessity. Britain's Department for International Development links the provision of humanitarian assistance to objectives such as restoring peace and human rights. The US government has, even more overtly, called on NGOs to help US foreign policy goals; in Iraq, humanitarian aid has been politicised on an unprecedented scale and its impartiality undermined."¹⁴

Since the 1990s, international NGOs from wealthy countries have increasingly acted as semi-official distributors of relief and humanitarian assistance in place of bilateral and multilateral institutions. In Afghanistan, as elsewhere, international NGOs have assumed responsibility for state-type functions such as the provision of public services, health and education. Donor governments are channeling a significant amount of humanitarian relief through their national NGOs. While this assistance is sorely needed in local areas, by virtue of their reliance on donor government funds, relief programmes are extremely susceptible to political meddling and manipulation. It is not surprising that people in Afghanistan, Iraq and Timore Leste view many NGOs as carrying out the foreign policy objectives of their respective governments in the guise of reconstruction and development.

INSTITUTIONAL AND ECONOMIC WINDFALLS

Reconstruction has provided excellent

opportunities to multilateral institutions and IFIs such as UN line agencies, the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) to carve out new roles for themselves and keep institutional irrelevance at bay. In a global economic climate of increasing private capital flows, their involvement in national reconstruction programmes ensures that policy and structural changes that suit the interests of wealthy and powerful donor countries are put in place as “national development frameworks.”

Coupled with domestic peace-building, reconstruction – as broadly applied by multilateral organizations and donors – tends to be extremely centralized, externally imposed, supply-driven, and interventionist.¹⁵ It assists in the formation of new national elites who – in collaboration with external actors – lay the ground for a neo-liberal policy environment that facilitates the expropriation of national wealth by foreign as well as domestic private interests. Reconstruction also provides a quasi-legitimate avenue for wealthy and powerful countries to consolidate their claims on the natural resources and economic opportunities of entire regions — as in the case of the United States in relation to West Asian oil reserves.

The World Bank is one of the most influential institutions involved in reconstruction. The Bank views conflict prevention and post-conflict reconstruction as critical to its mission of poverty reduction. Its Articles of Agreement permit the Bank to “assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war [and] the reconversion of productive facilities to peacetime needs.”¹⁶ The Bank is playing a significant role in shaping economic and social development policies in Afghanistan, Cambodia, Africa’s Great Lakes region, the Balkans, Liberia, Nepal, Sierra Leone, Timor Leste, Sri Lanka, the West Bank and Gaza, and other war-torn areas.

In Haiti, an interim Cooperation

Framework — the Cadre de Cooperation International (CCI) — was drawn up in April-May 2004 behind closed doors by about 300 mostly non-Haitian consultants, many from the USAID and the World Bank. Release of the plan followed the assumption of power by Haitian Prime Minister Gerard Latortue and his ministers, who were hand-picked by an eight person “Council of Eminent Persons” backed by the US, France and the UN Security Council. The two-year social and economic plan lays out a framework for Haiti’s reconstruction, which will be carried out under the protection of a UN peace-keeping mission of over 8000 security personnel.

Many Haitians have denounced the plan as “disguised colonialism” because of its neo-liberal economic recipes and the role of external institutions — particularly the World Bank — in formulating the plan. The “expert” group preparing the plan did not consider it necessary to consult with Haiti’s large and diverse civil society — which includes labour unions, peasant associations, women’s groups, NGOs, producers’ cooperatives and numerous other associations — about a reconstruction plan for their country. Critics of the programme say that the CCI “reinforces the structures and forms of [foreign] domination of Haiti.”¹⁷

By its own admission, “mitigating the effects of war” accounts for about 16 percent of the Bank’s total lending.¹⁸ The Bank has a special unit to design development programmes for conflict affected countries (the Conflict Prevention and Reconstruction Unit) and a special fund to provide financing for reconstruction in “post-war societies” (the Post-Conflict Fund). It has an Operational Policy on “Development Cooperation and Conflict” (OP 2.30) that sets the scope and the terms of the institution’s interventions and explicitly opens the door for the Bank to work in conflict prevention.¹⁹ Combined with a policy on “Dealing with de facto governments” (OP 7.30), OP 2.30 clarifies the Bank’s capacity to intervene in countries where it is unclear who is in power and permits the Bank to provide grants on request from the international community as “properly represented” (e.g., by UN

agencies). This means that the World Bank (and the IMF) can operate in a country in the absence of a sovereign government, as in the case of Iraq and until recently, Afghanistan. In the case of Iraq however, Bank interventions have until now been limited to “needs assessment.”²⁰

In order to expand its reconstruction work, the Bank has developed “new products” for situations where normal lending instruments cannot apply. These allow the Bank to “position itself” early on in shaping the affected country’s development path. In a number of countries emerging from conflict, the World Bank prepares a Transitional Support Strategy (TSS). The TSS is a short to medium-term plan for comprehensive reconstruction through which the Bank can provide emergency recovery grants and loans. Angola, Macedonia, Kosovo, Timor Leste and the Democratic Republic of Congo all currently have a TSS. The Bank has also established and managed joint donor trust funds in countries such as Afghanistan, Kosovo and Timor Leste, and in the Great Lakes region in Africa.²¹

An important area of World Bank-IMF involvement is overseeing debt repayments and scheduling. In Afghanistan, donors moved quickly to ensure that debt arrears were cleared, paving the way for new lending. Administered by the World Bank, bilateral donations “skimmed off the top before the remaining funds were made available to the Afghan government.”²² In Timor Leste, both the World Bank and the ADB have pressured the Government to move from grants to loans, on the grounds that the country’s reconstruction cannot be funded by grants alone. The ADB has claimed that the loans it would offer the Timorese Government would practically be “free money,” given their low interest rates and favourable repayment schedules. However, as all IFI watchers know, the danger in these loans do not lie in numbers, but in the policy prescriptions that a borrowing country must adopt as conditions to receiving this “free money.”²³

In November, 2004, the Paris Club of Creditors²⁴ agreed to write off a portion of Iraq’s debt in three stages. The first 30

percent (\$11.6 billion) is to be written off unconditionally. A second 30 percent will be reduced as soon as an IMF reforms package is approved. And a final 20 percent will be reduced after the IMF certifies that Iraq has faithfully implemented the reforms package. Iraq owes less to the Paris club (about \$42 billion) than to various Arab governments (about \$80 billion). However, the debt cancellation deal ensures that the country’s economic future will be defined by the Paris Club nations and particularly the US, acting through the IMF and the World Bank. Iraqis, including the Iraqi National Assembly, have rejected the debt deal on the grounds that Iraq’s debts are “odious”—i.e., they are illegitimate and were used against the interests of the Iraqi population. At the same time, the legitimacy of the National Assembly, being a product of a political process under occupation, is itself in question. The voices of ordinary Iraqis, who have to repay past and future debts, as well as bear the costs of reconstruction through deals that reward their occupiers, appear to be of little interest to the deliberations of the international debt cartel.

Common in all World Bank reconstruction programmes is the immediate application of free market reforms, including legal provisions for foreign investment, full repatriation of profits for foreign investors, private property rights, zero subsidies for food and essential services, and the now ubiquitous “good governance.” In a study on IFI involvement in Afghanistan, Anne Carlin notes that IFIs are seeking “new lines of business” at a time when large borrowers such as India and China turn to other sources for major projects.²⁵ Language in some World Bank documents — “new products for a new era” — is more evocative of a commercial strategy than of development assistance. Reforms under way in Afghanistan include a law on private and foreign investment that “would expedite the investment process, grant tax waivers based on terms of investment, exempt some exports from taxes, and allow for tax-free repatriation of funds.” It is doubtful that Afghans themselves will benefit from such business activity.²⁶

The free market oriented policies

demanding by the World Bank, IMF, ADB and other donors as a condition for reconstruction financing have made reconstruction an extremely lucrative business for the IFIs themselves, bilateral and international technical support agencies, development “experts,” international consulting and contracting companies, multinational corporations, NGOs and national elites, all of who reap large profits in the guise of rebuilding economies and societies. They have also led to increased inequality, hardship and social polarization among local populations who do not have the professional skills or political clout to benefit from the new market opportunities that reconstruction offers.

During the early 1990s in Cambodia, qualified doctors, teachers and technicians could be found working in low-end service or support jobs while the reconstruction of their country was being planned by expensive, foreign professionals. After the elections in 1993 and the formation of a national government, the average monthly salary of a mid-level government official did not exceed US \$ 40, while an equivalent position in an international organization could fetch 100 times as much. Government officials had to find additional means of employment to supplement their meager incomes. Many started local NGOs and/or businesses on the side in order to tap into donor funds for reconstruction. In Timor Leste, a similar scenario is emerging where donors and the World Bank insist that government salaries be kept low in order to ensure “sustainability” and avoid bloated government expenditures. The same principles, however, do not seem to apply to the international aid and reconstruction industry.

Countries undergoing reconstruction display characteristics of what could be called a “reconstruction economy,” in which food, housing, services, recreation facilities and business opportunities abound for international peace-keepers, administrators, development and security professionals, NGOs and contractors, while majority of the local population struggles with dysfunctional infrastructure, non-existent or poor quality services and

dead-end jobs. A services and construction boom geared towards expatriates creates pockets of affluence in capital cities and select tourist and recreational areas while the economy in the rest of the country falls apart. The resultant obvious disparity in living standards contributes to rising crime rates, social unrest, conflicts over land, water and other natural resources, and communal tensions that threaten to escalate into serious conflicts and violence.

THE VIOLENCE OF RECONSTRUCTION

Post-war and post conflict reconstruction programmes are generally tied to UN and donor-led peace and conflict resolution initiatives where ending conflicts and building peace are conflated with the formal cessation of hostilities and the establishment of conflict resolution mechanisms, new economic policies, new institutions and capacity, and new governance structures in affected countries. In most cases, a reconstruction blue-print would be in lock-step with a peace agreement or accord, which, in the words of Alejandro Bendana, is itself a “value-laden text abounding in references to universal human rights principles, informed by understandings of peace with justice, setting forth specific steps and stages to achieve justice in terms of political and economic democratization.”²⁷

A convenient assumption made by many actors involved in post-war reconstruction is that formal cessation of hostilities by warring parties signifies the end of violence and the beginning of development. Referring to the peace accords signed in El Salvador in 1992, Bendana observes, “At the moment of the signing perhaps all domestic and external actors believed that democracy and development would flow naturally from the peace accords as a binding framework. Good intentions however do not produce win-win situations because the full and forceful implementation of the accords, as in Guatemala and elsewhere, entailed a ‘loss’ for the traditional landed elite and business sector.”²⁸ Bendana points out that the FMLN and its sympathizers visualized a peace deal that would address economic and

resources issues (especially land) in return for the demobilization of FMLN guerillas. Although some of these concerns were integrated into the peace accords, life for the average Salvadoran did not improve. On the contrary, the daily lives of Salvadorans remained as bad—if not worse—as before the war, with increasing poverty, inequality, street violence and lack of security.

El Salvador and other countries in the grips of post-war reconstruction show that the economic violence institutionalized through reconstruction programmes can be every bit as destructive and debilitating as the physical violence of conventional armed conflicts and wars. However, the structural conditions that result in economic violence are rarely recognized as a form of war, or even associated with continuing armed conflicts and civilian unrest. Once wars are ostensibly settled, qualifying for reconstruction assistance presupposes immediate adjustment to a market system.

Naomi Klein has pointed out the devastating impacts on ordinary Iraqis of the economic reforms imposed on Iraq by the US-dominated CPA. Between May 2003 and June 2004, Lt. Paul Bremer, the Head of the CPA, fired 500,000 state workers (including soldiers and civilians), opened the country to unrestricted imports, started to privatise state enterprises, and enacted a radical set of laws to entice multinational corporations to set up operations in Iraq. These included: lowering Iraq's corporate tax rate from about 40 percent to 15 percent; 100 percent ownership of Iraqi assets (except for oil) by foreign companies; full repatriation of all profits by foreign investors; forty-year long leases and business contracts, and; allowing foreign banks to conduct unregulated business in the country. According to Klein, "Overnight, Iraq went from being the most isolated country in the world to being, on paper, its widest-open market." Klein reports that according to Joseph Stiglitz, former chief economist at the World Bank, Bremer's reforms were "an even more radical form of shock therapy than pursued in the former Soviet world."²⁹

Contracts worth millions of dollars were routinely handed out by the CPA to its favoured corporations (mostly from

the US) while top posts for shaping Iraq's future "sovereign" government and Iraqi civil society were farmed out to highly paid and ideologically motivated professionals from the Bush Administration's pet think tanks and investment banks. Prominent among them are the Research Triangle Institute (RTI), the National Endowment for Democracy (NED) and Bearing Point, all of whom were tasked with constructing economic, social and political structures and institutions most conducive to US and transnational corporate interests even after direct occupation ends.³⁰

The US formula for Iraq's reconstruction is not different in substance from what the IMF and World Bank would prescribe in a standard structural adjustment package: a shrunken state, privatization, a "flexible" workforce (i.e., workers can be hired and fired at will), removal of subsidies for food and public services, open borders with no tariffs, market-friendly laws, minimal taxes for investors, no capital mobility restrictions, and private property protection. The people of Iraq would have to suffer some short term pains — such as joblessness and dire poverty — but this would be more than made up for by future gains as foreign investment floods in. But as is evident, the CPA's dream of making Iraq a "capitalist dream" has not materialized. Instead, thousands of unemployed Iraqis, battered by both, the military war as well as the violence of the US's reconstruction ideology, are finding employment, security and community in the growing resistance to the US-led occupation.

For most populations in countries under reconstruction, peace cannot be separated from socio-economic and political justice. A reconstruction programme that creates joblessness and food insecurity, strips public assets and hands them over to private profiteers, inhibits the access of children to clean water, health-care, nutrition and education, exacerbates the insecurity of women and vulnerable groups, and weakens the economic prospects of local producers by opening the country's economic borders to unchecked imports, is every bit as violent and destructive as the past they sought to escape.

The unwillingness and inability of those who design reconstruction programmes to confront market-generated inequalities and injustice is not surprising. The architects of these programmes are after all the same set of actors who invented *structural adjustment programmes* with its “no pain no gain” mantra and deep, ideological adherence to free market economics as the most efficient way to allocate resources and power. In their book, good and effective governance is judged by how friendly governments are to international capital, and not by a government’s commitment towards its citizenry.

WHO’S RECONSTRUCTION?

Post-war reconstruction is an openly political project and raises complex questions about state sovereignty and legitimacy, self-determination, democracy (local and national) and social, economic and political justice. The question is not whether reconstruction and peace-keeping are needed or not, but rather, what types of reconstruction and peace-keeping are needed, who they are designed for, who leads them, and whose interests they serve. There is no denying that resources for re-building physical infrastructure, essential services, national institutions and administrative capacity, and for revitalising domestic economies and political systems are urgently needed in countries emerging from crises. Strong, effective and accountable governance and clear, well defined legal systems are important, and a robust and accountable private sector can play a critical role in re-building a shattered economy.

However, the experiences of Cambodia, Timor Leste, Haiti, El Salvador, Nicaragua, Iraq and Afghanistan—to name just a few—show that the resources for rebuilding lives, economies, societies and polities come at an extremely high price with long term implications that are not always visible at the onset of reconstruction programmes (Iraq is a special case in that the US occupiers made no bones whatsoever about the returns they expected from their invasion and occupation of the country). Experience

also affirms that despite the repeated failure of the reconstruction model to prevent state failure, the model continues to be applied with minor revisions in country after country.

The post war/post conflict reconstruction model in evidence today is an essentially neo-liberal enterprise through which states and societies can be de-constructed in order to remake them as market-friendly utopias where the accumulation of wealth by external corporate powers and select national elites is considered normal. The World Bank, donors and many inter-governmental agencies view reconstruction as a “marrying” of post-war economies and societies to free market-oriented development, including structural adjustment.³¹ As such, reconstruction becomes a more egregious and extreme form of the neo-liberal development model promoted by capitalist powers and the IFIs. By ensuring continuing state failure, the reconstruction model ensures that countries become the “burden of the international community” and thereby hostage to whatever form of intervention this community decides undertake.

As long as neo-liberal intervention is not recognized as a conflict-producing factor, it will continue to be offered as one of the solutions to conflict. According to Bendana, the problem is not the association of peace with development, but the association of peace with a particular model of development that generates poverty and inequality. “Economic crisis underpins major social tension and instability, so that social conflict and violence are both, effect as well as cause and effect of economic crisis. Economic crisis is fed by northern governmental insistence on the extension of deregulated market globalization intensifying poverty and social polarization, instability and conflict.”³²

Although the language of reconstruction programmes is rife with terms such as “rights,” “good governance,” “sovereignty” and “democracy,” countries undergoing reconstruction do not appear to have the right to break with macroeconomic orthodoxy, challenge imbalances of global power and resource distribution, and chart their own paths towards rebuilding

their societies and economies. But as reconstruction descends into chaos, one is compelled to ask what an alternative model of reconstruction based on local and national aspirations and priorities, and on principles of equity, justice and peace-building would look like. How would people in these countries rebuild their lives if given the political and economic space, resources, and autonomy to do so? ■

NOTES:

¹ For a comprehensive discussion on the subject, see *Failed and Collapsed States in the International System*, a report prepared by the African Studies Centre, Leiden; Transnational Institute, Amsterdam; Centre of Social Studies; Coimbra University; and The Peace Research Centre-CIP-FUHEM, Madrid. December, 2003.

² Alejandro Bendaña, *From Peace-Building to State-Building: One Step Forward and Two Backwards?* Centro de Estudios Internacionales, Managua, Nicaragua. Presentation "Nation-Building, State-Building and International Intervention: Between 'Liberation' and Symptom Relief, CERI, Paris, October 15, 2004.

³ John P. McAndrew, *Aid Infusions, Aid Illusions, Bilateral and Multilateral Emergency and Development Assistance in Cambodia, 1992-1995*. Working Paper number 2, Cambodia Development Resource Institute, January 1996.⁴ See the resources gathered by the Campaign to Oppose the Return of the Khmer Rouge (CORKR), www.yale.edu/cpgl/corkr.html; The Campaign to Oppose the Return of the Khmer Rouge, sometimes known as "CORKR" or the "Cambodia Campaign," was a coalition of non-governmental organizations (NGOs) founded in 1989 to advocate progressive change in U.S. policy towards Cambodia. In February 1995, CORKR merged with several other Asia-oriented advocacy groups into the Asia-Pacific Advocacy Center, based in Washington, DC.

⁵ See, for example: Teuku Samsul Bahri, *Aceb: A Land of Silenced and Marginalised Voices*, January 2004, acebyouth@yahoo.co.uk; Eyal Press, *The Subarto Lobby*, The Progressive, <http://www.albionmonitor.com/9711b/suhartolobby.html>; Edward S. Herman and David Peterson, *The Western Betrayal of East Timor*. Z Magazine, <http://musictravel.free.fr/political/political2.htm>; Edward S. Herman, *Good and Bad Genocide, Double standards in coverage of Subarto and Pol Pot*. Extra! September/October 1998. <http://musictravel.free.fr/political/political4.htm>; Edward S. Herman, *From Vietnam to Iraq*. <http://musictravel.free.fr/political/political35.htm>; John Gershman, *East Timor Violence: Legacy of U.S. Indonesia Policy*. The Progressive Response, 3 September 1999, Vol. 3, No. 32. <http://archives.econ.utah.edu/archives/pen-1/1999m09.a/msg00117.htm>; Stephen Van Evera, *American Intervention in the Third World, Less Would be Better*. Boston Review, October 1991.

⁶ Rick Salutin, *Failed States All Over*. The Globe and

Mail / Canada, Friday, March 5, 2004

⁷ Mark Duffield, "Globalization and War Economies: Promoting Order or the Return of History?," Fletcher Forum of World Affairs, Vol. 23, no. 2, 1999.

⁸ John P. McAndrew, *Aid Infusions, Aid Illusions, Bilateral and Multilateral Emergency and Development Assistance in Cambodia, 1992-1995*. Working Paper number 2, Cambodia Development Resource Institute, January 1996.

⁹ Sami Makki, *Business of war, Privatised violence*. Le Monde Diplomatique - English edition, November 2004. <http://mondediplo.com/2004/11/08iraq>

¹⁰ Brendan O'Neill, *A new kind of private war*. 16 April 2004

<http://www.spiked-online.com/Articles/0000000CA4DD.htm>

¹¹ The Economist, *The Baghdad Boom*. March 25th, 2004.

¹² Ben Moxham, *Taming the "Banana Republic": The US in East Timor*. Z Magazine, January, Vol 18 No.1, - 2005.

¹³ Ibid.

¹⁴ Conor Foley, "Humanitarian Aid Workers Getting Caught in the Crossfire." *The Guardian Weekly*, November 5, 2004.

¹⁵ Alejandro Bendaña, *What Kind of Peace is Being Built? Critical Assessments from the South, A Discussion Paper*. Centro de Estudios Internacionales, Managua, Nicaragua. Prepared on the occasion of the tenth anniversary of *An Agenda for Peace* for the International Development Research Centre (IDRC), Ottawa, Canada, January 2003.

¹⁶ World Bank website. See also, World Bank Conflict Prevention and Reconstruction Unit, World Bank web page.

¹⁷ Jane Regan, *Haiti: A Development Plan Written Behind Closed Doors*. IPS/GIN, Port-au-Prince, June 21, 2004.

¹⁸ World Bank Conflict page, World Bank website.

¹⁹ See "Bank's policy on development cooperation and conflict," World Bank web page.

²⁰ Bretton Woods Project: [http://brettonwoodsproject.org/article.shtml?cmd\[126\]=x-126-16554](http://brettonwoodsproject.org/article.shtml?cmd[126]=x-126-16554)

²¹ Ibid.

²² Bretton Woods Project: [http://brettonwoodsproject.org/article.shtml?cmd\[126\]=x-126-43345](http://brettonwoodsproject.org/article.shtml?cmd[126]=x-126-43345)

²³ Remark made in a personal interview with the author by Ms. Meeja Hamm, Resident Representative of the ADB in Timor Leste, in April, 2003.

²⁴ The Paris Club of creditor countries includes Austria, Australia, Belgium, Britain, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland and the United States.

²⁵ Anne Carlin, *Rush to Reengagement in Afghanistan: The IFI's Post Conflict Agenda*, Bank Information Centre, December 2003.

²⁶ Bretton Woods Project: [http://brettonwoodsproject.org/article.shtml?cmd\[126\]=x-126-43345](http://brettonwoodsproject.org/article.shtml?cmd[126]=x-126-43345)

²⁷ Alejandro Bendaña, *What Kind of Peace is Being*

Built? Critical Assessments from the South, A Discussion Paper. Centro de Estudios Internacionales, Managua, Nicaragua. Prepared on the occasion of the tenth anniversary of *An Agenda for Peace* for the International Development Research Centre (IDRC), Ottawa, Canada, January 2003

²⁸ Ibid.

²⁹ Naomi Klein, *Baghdad Year Zero, Pillaging Iraq in Pursuit of a Neocon Utopia.* Harper's Magazine, September 2004

³⁰ Herbert Docena, *The Other Reconstruction: How private contractors are transforming Iraq's state and civil society.* Focus on Trade, Part 1, Number 101, July 2004. <http://www.focusweb.org/pdf/fo1101.pdf>

³¹ David Moore, *Leveling the Playing Fields & Embedded Illusions: 'Post Conflict' Discourse & Neoliberal Development in War-torn Africa.* Review of African Political Economy, March 2000, No. 93, Vol. 27.

³² Alejandro Bendaña, *What Kind of Peace is Being Built? Critical Assessments from the South, A Discussion Paper.* Centro de Estudios Internacionales, Managua, Nicaragua. Prepared on the occasion of the tenth anniversary of *An Agenda for Peace* for the International Development Research Centre (IDRC), Ottawa, Canada, January 2003.

About the Contributors

NICOLA BULLARD (n.bullard@focusweb.org) is a senior research associate with Focus on the Global South.

WALDEN BELLO is the executive director of Focus on the Global South and a professor of sociology and public administration at the University of the Philippines. “The Economics of Empire” was first published in *New Labor Forum*, Fall 2003.

WILLIAM I. ROBINSON is a professor at the University of California at Santa Barbara. He is the author of *Promoting Polyarchy: Globalization, US Intervention, and Hegemony* (Cambridge University Press, 1996), and *A Faustian Bargain: US Intervention in the Nicaraguan Elections and American Foreign Policy in the Post-Cold War Era* (Westview Press, 1992). “What to Expect from US ‘Democracy Promotion’ in Iraq” was first published in *Focus on Trade*, No. 101, July 2004.

ALEJANDRO BENDANA is director of the Centro de Estudios Internacionales in Managua and was ambassador to the United Nations of Nicaragua’s Sandinista Government. “Nicaragua’s and Latin America’s Lessons for Iraq” was first published in *Focus on Trade*, No. 101, July 2004.

HERBERT DOCENA (herbert@focusweb.org) is a research associate with Focus on the Global South. He conducted his research in Iraq with the Iraq International Occupation Watch Center. “Silent Battalions of Democracy” was first published in *Middle East Report* 232, Fall 2004.

MARY LOU MALIG (marylou@focusweb.org) is a research associate with Focus on the Global South. “Trade by Other Means: How the US is getting a free trade agreement minus the negotiations” was first published in *Focus on Trade*, No. 101, July 2004

GRAIN (www.grain.org) is an international nongovernmental organization that promotes the sustainable management and use of agricultural biodiversity based on people’s control over genetic resources and local knowledge. “Iraq’s New Patent Law: A declaration of war against farmers” was first published in *Foreign Policy in Focus*, November 18, 2004.

SHALMALI GUTTAL (s.guttal@focusweb.org) is a senior research associate with Focus on the Global South. She has worked on reconstruction issues in Lao PDR, Cambodia, Vietnam and Timor Leste.

