

# 'Shock and Awe' Therapy

*How the United States is attempting to control Iraq's oil and pry open its economy*

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*"One of the most audacious hostile takeovers ever" – Wall Street Journal<sup>1</sup>*

*"The best time to invest is when there's still blood on the ground." – a delegate to Rebuilding Iraq 2 convention<sup>2</sup>*

*"We must find new lands from which we can easily obtain raw materials and at the same time exploit the cheap slave labor that is available from the natives of the colonies." – Cecil Rhodes<sup>3</sup>*

*"Iraq will be sold to others and will be begging the foreigners as we begged Saddam before" – an Iraqi businessman<sup>4</sup>*

*"The United has the biggest slice, but we're confident there's enough of the pie to go around for everyone." – participant to an Iraq investor' conference<sup>5</sup>*

1) Invade.

This was to be the first step in what has since become the most ambitious, most radical, and most violent project to reconstruct an economy along neo-liberal lines in recent history. Since the invasion of Iraq in 2003, the United States has attempted to open up almost all sectors of Iraq's economy to foreign investors; pry it open to international trade; launch a massive privatization program to sell off over 150 state-owned enterprises; liberalize its financial market and re-orient the role of its Central Bank; impose a flat tax and remove food and oil subsidies; adopt a patents and intellectual property rights regime beneficial to corporations; and lay the ground for the eventual privatization of Iraq's oil.

While similar efforts to comprehensively restructure economies have often begun from inside the finance or planning ministries, legislative halls, universities, or five-star hotels in other countries, in Iraq, the first phase in a multi-stage and all-encompassing project

began in March 2003 from the skies, with the dropping of bombs, and in the field, with the rolling in of tanks. "Shock therapy" had to be presaged by "shock and awe."

Even before the bombs fell down like rain on Baghdad, however, the blueprint for Iraq's economy was ready and waiting to be implemented— an indication that while the invasion may have been part of a larger geo-strategic game-plan to dominate a vital region, the goal to implement neo-liberal economic policies in Iraq, including securing access to its oil. By February 2003, the US had finished drafting what the *Wall Street Journal* called "sweeping plans to remake Iraq's economy in the US's image"<sup>6</sup> Entitled "Moving the Iraqi Economy from Recovery to Growth," the document laid down what was to be done with various aspects of Iraq's economy once the occupation forces had ensconced themselves in Baghdad. Michael Bleyzer, former executive of Enron summed up the goal when he briefed Defense Secretary Donald Rumsfeld and other officials of the Bush administration: "We want to set up a business environment where global companies like Coca-Cola and McDonalds could come in and create a diversified economy not dependent on oil..."<sup>7</sup>

The plan called for nothing less than Iraq's comprehensive transformation from a centralized command economy with very strong state intervention into a market economy in which the state plays virtually no other role but to create, maintain, and defend the openness of this market.<sup>8</sup> Just as the US bombed out and physically obliterated almost all of Iraq's ministries, the plan entails the repeal of almost all of its current laws and the dismantling of its existing institutions, except those that already fit in with the US' design.<sup>9</sup> From their rubble is to be erected a new state from the ground up – one empowered to usher in foreign investments and facilitate the unfettered operations of multinational corporations but disempowered to provide

services to its citizens or promote development and social justice.

### TAKE ADVANTAGE OF THE CHAOS

Awarded the task to remake Iraq's economy and prepare the ground for the likes of Coca-Cola and McDonald was Bearing Point, a private business consultancy group. Its contract with USAID, a meticulously methodical document complete with timetables, delegation of responsibilities, and assignment of tasks for specific Iraqi government posts, is essentially the masterplan for the US economic design on Iraq – the “smoking gun” proving the US' intent to reconstruct Iraq's economy along neo-liberal lines. The language of the contract is revealing: At one point, it says, “The new government *will* seek to open up its trade and investment linkages and to put into place the institutions promoting democracy, free enterprise and reliance on a market-driven private sector as the engine of economic recovery and growth” [italics mine] – as though this government will have no other choice.

The painstakingly systematic plan contrasts with the apparent lack of any planning for post-war humanitarian, rehabilitation, and relief operations.<sup>10</sup> This hinted at what the so-called “reconstruction process” was not going to be about. As Defense Secretary Donald Rumsfeld said, “I don't believe it's our job to reconstruct that country after 30 years of centralized Stalinist-like economic controls in that country.”<sup>11</sup>

Having settled at Saddam's Republican Palace complex, occupation authorities quickly moved to implement the Bearing Point workplan. Little more than one month after the invasion was declared “mission accomplished” by Bush in May 2003, then Coalition Provisional Authority (CPA) chief L. Paul Bremer II, unveiled the US' economic agenda on Iraq at a World Economic Forum meeting in Jordan. “Our strategic goal in the months ahead is to set in motion policies which will have the effect of reallocating people and resources from state enterprises to the more productive private firms,” he said.<sup>12</sup> That same month, the American adviser to the ministry of industry and minerals announced the “fast-track” privatization of 48 state-owned enterprises (SOEs).<sup>13</sup> By the time the US handed-over “sovereignty” in a secret ceremony in June 2004, key elements of its

### CHRONOLOGY OF EVENTS

- 19 March 2003: US-led forces invade Iraq
- 1 May 2003: Bush declares end of “major combat operations”
- 13 July 2003: first meeting of US-installed Iraq Governing Council
- 18 July 2003: contract for transforming Iraq's economy is awarded to Bearing Point
- September 2003: occupation authority enacts Order 39, opening up Iraq's economy to foreign investors
- 15 November 2003: US agrees to accelerate political transition for transferring “sovereignty” to Iraq
- 28 May 2004: Iyad Allawi is chosen as prime minister of Iraq's interim government
- 28 June 2004: US hands over “sovereignty” to interim government
- 18 August 2004: conference for choosing members of Iraq's Interim National Council
- 30 January 2005: national elections for choosing members of Iraq's National Assembly

economic designs on Iraq had been put in place. The CPA had passed an array of laws and that were to be the foundations and pillars of Iraq's neo-liberal regime.<sup>14</sup>

Among the most groundbreaking was **Order 39** which was described as fulfilling the “wish list of international investors” by *The Economist* and as a “free market manifesto” by *Reuters*.<sup>15</sup> The Order allows foreign investors to buy and take over Iraq's SOEs, to enter and leave Iraq as they please, to have the same rights as any Iraqi in selling to the domestic market, and to repatriate 100% of their profits and other assets anytime. Seen another way, the Order effectively deprives the Iraqis sovereignty over their economy.<sup>16</sup> By moving towards the privatization of Iraq's SOEs, the Order effectively allows the transfer of the Iraqi people's assets to foreign and/or private owners whose priority is to maximize profits rather than to provide services or products to Iraqis. By removing restrictions on investments, the Order denies the Iraqi state any power to regulate and control investments entering its territory. By giving foreign investors “national treatment,” it deprives Iraqis the option to support local business or pursue industrialization policies in the hope of attaining a degree of self-sufficiency and

## BREMER'S ORDERS

### SAMPLE OF LAWS ENACTED BY COALITION PROVISIONAL AUTHORITY IN IRAQ

ORDER	IMPLICATIONS FOR IRAQIS
<b>39</b>	
“national treatment” gives foreign investors same rights as Iraqis in selling to domestic market and in exploiting resources	Iraqi government can't favor local businesses or pursue industrialization policies
removes restrictions on investments and operations of multinational corporations	Iraqi government denied power to regulate and control investments
allows for 100% repatriation of profits	takes away Iraqi government's prerogative to compel foreign investors to re-invest profits in domestic economy
<b>12</b>	
suspended tariffs, duties and other taxes on imports	gives Iraqi government less control over trade policy
<b>40</b>	
allow foreign banks to operate in Iraq and to own 50% of domestic banks	gives foreign banks more control over Iraqis' access to credit and more control over monetary policy
<b>49</b>	
imposes flat tax on Iraq	prevents Iraqi government from imposing higher taxes on the rich
<b>81</b>	
introduces system of monopoly rights over seeds, facilitates entry of multinational agri-corporations	denies Iraqis 'food sovereignty'

Source: various Orders enacted by Coalition Provisional Authority ([www.iraqcoalition.org](http://www.iraqcoalition.org))

economic sovereignty. The clause allowing full and unimpeded repatriation takes away the Iraqi state's prerogative to compel foreign investors to re-invest their profits in the domestic economy.

While oil was exempted from this Order, the Bearing Point contract specifically states that it “will implement USAID-approved recommendations to begin supporting the privatization, especially those in the oil and supporting industries.”<sup>17</sup> It was told to go ahead with preparing legislation and implementing regulations to establish an “improved fiscal regime for petroleum and mining sectors and for transit pipelines.”<sup>18</sup> Earlier, Bush had signed an Executive Order giving blanket and indefinite immunity to US oil corporations involved in any oil-related activity in Iraq.<sup>19</sup>

**Order 12**, or the “Trade Liberalization Policy,” suspended tariffs, duties, and other

taxes on goods entering Iraq's market, thereby depriving the Iraqis of revenue control over trade flows and an independent trade policy.

**Order 40** allowed a few foreign banks to enter the Iraqi market and take over up to 50% of domestic banks. Combined with the other Orders, this gives foreign bankers power over Iraqis' access to credit and loans and gives the government less control over monetary policy.

**Order 49** reduced the tax-rate on corporations and individuals from 40% to a flat rate of 15%. Doing away with the principle of progressive taxation, the idea that those who have more should contribute more, it also means that an Iraqi who earns \$100 a month will have to pay the same percentage of tax as a corporation that earns \$1 billion a month.

**Order 81**, which lays the ground for Iraq's intellectual property rights regime, introduces

a system of monopoly rights over seeds.<sup>20</sup> This facilitates the entry of multinational agricultural corporations and undermines Iraqis' "food sovereignty," or their right to define their own food and agriculture policies instead of having them subordinated to international market forces.

Observers were quick to point out the similarities between elements of the plan and the structural adjustment policies imposed by the World Bank in scores of developing countries around the world since the 1980s or the "shock therapy" administered to Russia in the 90s. Only this time, it goes further. The *New York Times* economic columnist Jeff Madrick noted that, "By almost any mainstream economist's standard, the plan... is extreme – in fact, stunning."<sup>21</sup> Former World Bank chief economist and Nobel prize winner Joseph Stiglitz observed that Iraq's own was "an even more radical form of shock therapy than pursued in the former Soviet world."<sup>22</sup> Naomi Klein was more descriptive, saying, "Iraq's "reconstruction" makes those wrenching economic reforms look like spa treatments."<sup>23</sup> If all goes well, *The Economist* says Iraq will be a "capitalist's dream."<sup>24</sup>

The extremism of the plan – and US' officials determination to pursue it – was not just ideological; it was driven by all that was at stake. With the US expected to depend on other countries for 70% of its oil needs by 2025 – and with both ally countries and rivals as, if not, more dependent on oil imports,<sup>25</sup> securing access to oil was both a matter of survival and a source of great power. Old surveys indicate that Iraq holds around 100-130 billion barrels of oil, or about 11% of the world total, making it second only to world's largest reserve, Saudi Arabia.<sup>26</sup> But there could be more. With only 17 out of 80 oil fields tapped,<sup>27</sup> there's widespread belief among industry insiders that the wells run deeper and that reserves might even exceed 300 billion barrels, or about a quarter of global reserves.<sup>28</sup> In a speech at the London Institute of Petroleum in 1999, US Vice President Richard Cheney said, "While many regions of the world offer great oil opportunities, the Middle East, with two-thirds of the world's oil and the lowest cost is still where the prize ultimately lies."<sup>29</sup>

A clear appreciation of this fact was evident during the invasion. British Petroleum engineers were embedded with the troops

during the invasion and traveled with them in order to locate and secure the oil wells.<sup>30</sup> While virtually all other ministries were bombed down, the oil ministry complex was spared. Subsequently, as much as 20% of the US' 18-billion reconstruction budget for Iraq was to go to oil infrastructure, including exploration and development of new oil and gas fields.<sup>31</sup> A Pentagon policy document had, as early as 1999, argued that a war for Iraq's oil should be considered a legitimate military option.<sup>32</sup> Two months before the invasion, the Pentagon officials said they "have crafted strategies that will allow us to secure and protect those fields as rapidly as possible in order to preserve those prior to destruction."<sup>33</sup> This mental exercise in taking over Iraq's petrol reserves had a precedent: As early as the 1970s, former State Secretary Henry Kissinger had put forward plans for invading Middle Eastern oil fields in an essay that entitled "Seizing Arab Oil."<sup>34</sup>

Dubbed "today's California gold rush" by the US official tasked to privatize its SOEs,<sup>35</sup> Iraq was giving investors a rush not just because of oil per se but also because of its potential to create domestic purchasing power. In theory, as the proceeds from oil trickle down to the Iraqis, demand can be expected to grow and Iraq's domestic market can be a much-needed outlet for products. For an investor, while the windfall to be reaped in the post-conflict reconstruction spending bonanza is huge, the long-term prospects in a privatized, liberalized, and deregulated Iraq looks even more promising. As US Commerce Secretary Don Evans saw it, "Their [Iraqis] collective hopes and aspirations form a valuable market for goods and services of all types."<sup>36</sup>

## **DISREGARD INTERNATIONAL LAW, PLACATE THE RESISTANCE**

For all that was at stake, two obstacles stood in the way.

All of the laws the occupation authorities passed were in clear violation of international law.<sup>37</sup> Article 43 of the Hague Regulations of 1907 states that an occupying power "must re-establish and insure as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country." In other words, the US could not overturn existing laws and pass new ones; only a sovereign government could. Article 55 of 1907 Hague Regulations says: "the occupying State shall be regarded only as administrator

and usufructuary of public buildings, real estate, forests, and agricultural estates belonging to the hostile State, and situated in the occupied country. It must safeguard the capital of these properties, and administer them in accordance with the rules of usufruct.” In other words, the US could not sell off Iraq’s state-owned companies; only a sovereign government could.

But there was a bigger problem: resistance to the occupation in general and opposition to the laws themselves in particular. According to a survey conducted by the Coalition Provisional Authority itself in May 2004, up to 86% of Iraqis wanted the coalition forces to leave either immediately or once an elected government assumes power, as opposed to only 6% who wanted them to stay.<sup>38</sup> The Iraqi Governing Council, the 25-member proto-governing entity formed by the US in July 2003 and which it sought to project as Iraq’s temporary government, was widely seen as US stooges, with a Gallup poll survey revealing that up to three in every four Iraqis believed that its actions were “mostly determined by the CPA” and only 16% thought it was independent.<sup>39</sup> In addition, according to a survey conducted by the Iraq Center for Research and Studies, 68% of respondents either strongly supported or somewhat supported Moqtada Sadr, the leader of the Sadrism movement, who has consistently called for the withdrawal of the US forces.<sup>40</sup>

Even if the policies violated international law but had the support of the Iraqis, the US would have been able to rest easy. The problem was that the changes the US was introducing to Iraq did not have the consent of the Iraqis and were widely unpopular, even among those who supported the invasion. While the US Treasury Department conferred with Citigroup, JP Morgan Chase, and Bank of America over some details of the privatization process, at least one IGC ministry claimed he was not even informed of the proposal.<sup>41</sup> As Isam al-Khafaji, who worked with the US in the early stages of the occupation but later left, attests, “Many radically new sweeping changes, for example the law on foreign investment, Iraqis were not allowed to review it. They were not even given the chance to look at it before it was passed.”<sup>42</sup> What was troubling the occupation officials was that the Iraqis were not just waiting for the courts to decide on the

policies’ legality; they were throwing bombs at them.<sup>43</sup>

All these threatened to turn the “capitalist’s dream” into billion-dollar nightmares for those whose investments could be seized and expropriated by a future Iraqi government sensitive to popular opinion. With few buyers willing to take the risk, the illegality of the US-imposed economic restructuring and the resistance it spawned threatened the viability of the privatization program in the short term and the larger economic agenda in the long-term. What the US needed to do was summed up by Sir Philip Watts, chair of Royal Dutch Shell, when asked what the conditions need to be met before oil companies could move in. “There has to be proper security, legitimate authority and a legitimate process...by which we will be able to negotiate agreements that would be longstanding for decades,” he said. “When the legitimate authority is there on behalf of Iraq, we will know and recognize it.”<sup>44</sup>

#### **UNDERGO A ‘POLITICAL TRANSITION’ PROCESS**

The US’ solution was straightforward: If only a sovereign government could legally do the things it was trying to do in Iraq, then the US would have to create this “sovereign” government itself – not just any kind of government but one structurally conducive to the US’ preferred economic policies; run by Iraqis willing to implement and defend these policies; and insulated from popular pressures. This seemed to have been the strategy from the beginning. Bearing Point’s contract, for example, takes it for granted that a cooperative government would be put in place. In May 2003, Defense Secretary Rumsfeld announced that the Bush administration would be installing a regime headed by personnel who “favor market systems” and “encourage moves to privatize state-owned enterprises.”<sup>45</sup>

If the decisions had been entirely up to the occupation authorities, they would have preferred to go slow and make sure the conditions for managing the political process were firmly in place before letting go. While the Bush administration had conceded that at some point it would have to hold elections, it sought to postpone holding them until the time was right and the risks could be minimized. At one point, US military commanders even broke up local elections

initiated and organized by Iraqis across Iraq right after Saddam's government fell.<sup>46</sup> The US also adamantly resisted proposals to have one-person-one-vote general elections as soon as possible, saying it was not logistically possible despite claims to the contrary by the Planning Ministry's Census Bureau and even by some British officials.<sup>47</sup>

Instead of elections, the occupation authorities insisted on forming a transitional Iraqi government through a complex system of caucuses that would have given them more say in the outcome. Participants of the caucuses would be chosen and vetted by the military, as assisted by Research Triangle Institute (RTI), a USAID contractor hired to "identify the most appropriate 'legitimate' and functional leaders" [quotes around "legitimate" appear in original text].<sup>48</sup> As Bremer said, "I'm not opposed to it [elections] but I want to do it in a way that takes care of our concerns... Elections that are held too early can be too destructive... In a situation like this, if you start holding elections, the people who are rejectionists tend to win."<sup>49</sup> By "rejectionists," Bremer was obviously referring to Iraqis who opposed the presence of US military forces in the country, objected to its political and economic agenda, and refused to be part of US-installed political institutions. A senior official of the CPA was more direct when asked why elections couldn't be held soonest: "There's not enough time for the moderates to organize."<sup>50</sup>

When tens of thousands of people marched on the streets in early 2004 to demand direct elections or else face more violent resistance, the US was forced to relent. US officials reluctantly agreed to accelerate the political transition only because of the growing resistance against the occupation, the widening clamor for direct elections, and the consequent stalling of the neo-liberal economic agenda. The US hoped that this decision would pacify the resistance and entice the investors. As a Pentagon official said, "The transfer of sovereignty clearly will have an impact on security because you rid yourself of the 'occupation' label. That is one of the claims that these so-called insurgents make; that they are under American occupation. So you remove that political claim from the ideological battle."<sup>51</sup> Diplomatically, it would be crucial to giving allies political cover for contributing troops and money for the reconstruction. Legally, it would provide

## STEPS IN THE POLITICAL TRANSITION

**June 2004:** hand-over of "sovereignty" to a transitional Iraqi government

**August 2004:** formation of an interim Iraqi National Council

**January 2005:** national elections for Iraq's National Assembly

**October 2005:** referendum on new Iraqi constitution

**December 2005:** elections for constitutionally-based Iraqi government

cover for investments made under occupation and protect against possible expropriation.

But it was going to be very risky. As former National Security Adviser Brent Scowcroft said when the US President George Bush was faced with a similar dilemma in Iraq after the first Gulf War: "What's going to happen the first time we hold an election in Iraq and it turns out the radicals win? What do you do? We're surely not going to let them take over."<sup>52</sup>

## BRING IN THE EXPERTS, EMBED THE ADVISERS

Even as they tried to defer the inevitable, occupation authorities moved quickly to entrench the foundations of a radical neo-liberal free market regime – before any future sovereign and elected government could come up with other ideas. In other words, the strategy was to preempt the Iraqi government on some of the most fundamental decisions any government has to make regarding its economy. The adopted tactic was best described by USAID's instruction to Bearing Point as it endeavored "to establish the basic legal framework for a functioning market economy." In accomplishing its tasks-- from writing up laws and regulations to setting up the stock market and the Central Bank – Bearing Point was explicitly ordered to take "appropriate advantage of the unique opportunity for rapid progress in this area presented by the current configuration of political circumstances."<sup>53</sup>

To plant the laws and policies Bearing Point was drafting, the US placed hundreds of "advisers" with extensive corporate backgrounds, as well as dozens of organizations and agencies specializing in

**THE EXPERTS AND ADVISERS**  
**USAID CONTRACTORS WORKING ON VARIOUS SECTORS OF IRAQ'S ECONOMY**

Sector	Contractor	Tasks
Local Government	Research Triangle Institute	"collaborate with appropriate agencies who will identify individuals or groups who represent the most appropriate, 'legitimate' and functional leadership with which to liaise"
Economy	Bearing Point	"recommend best available options for proceeding to implement an improved policy, regulatory, and legal climate for economic growth"
Education	Creative Associates	Work towards "enhanced public-private partnerships for education service delivery"
Agriculture	Development Alternatives Inc.	"helping the rural poor move a to a market -led economic transformation"
Public Health	Abt Associates	"to expand, strengthen, and reform the overall health system to improve its efficiency and ability to deliver vital services"

Source: various contracts with USAID, www.usaid.gov

designing neo-liberal policies, in key ministries and in the bureaucracy. Brought in to supervise Iraq's privatization spree, for example, was Thomas Foley, a former head of Citicorp who specialized in mergers and acquisitions. Charged to oversee Iraq's agricultural policies was Dan Amstutz who as former vice president of Cargill, the world's biggest grain exporter drafted the controversial agreement on agriculture at the World Trade Organization.<sup>54</sup> A US law firm connected to Bush, Squire, Sanders and Dempsey, was retained to provide advise on privatizing government industries, establishing regulatory agencies, and developing Iraq's tax structure.<sup>55</sup> Assigned to head the "advisory board" to the oil ministry was the former chief executive officer of Shell, Phillip Carroll, who was subsequently replaced by Robert McKee, a former vice president of oil giant ConocoPhillips. Bremer himself was a former aide of Kissinger, who had once said, "what is called 'globalization' is really another name for the dominant role of the US."<sup>56</sup> Most interestingly, the US hired the services of Yegor Gaidar, the former Russian prime minister who administered his country's own "shock therapy."<sup>57</sup>

Also deployed was the vast apparatus of the US government that has been promoting neo-liberal free-market policies around the world for the past three decades. This included the US State Department, the USAID, the quasi-governmental National Endowment for Democracy (NED) and their affiliates. Practicing what it preached, the US privatized the project to privatize Iraq by subcontracting various tasks to an army of private contractors: Creative Associates was to work towards "enhanced public-private partnerships for education service delivery"; Abt Associates was assigned to "reform" Iraq's health sector; while Development Alternatives Inc. was to "help the rural poor move a to a market-led economic transformation."

The instructions given to Bearing Point and the way it was directed to operate are illustrative of the powers given these contractors. In the name of "technical assistance," the contractor was authorized to "begin to reform, revise, extract or otherwise advise on changes to policies, laws, and regulations that impact the economy."<sup>58</sup> Lamenting that the existing commercial law framework is "woefully deficient in terms of

establishing a market-friendly legal and regulatory environment for business formation and operation,” the US ordered the contractor “to create a World Trade Organization-consistent trade and investment legal framework which will both promote competitive development of domestic business...and lay the groundwork for greater integration into international financial and trading networks.”<sup>59</sup> On the plan to privatize the SOEs, not only was Bearing Point tasked to appraise the market price at which the SOEs are to be sold. “If changes to legislation are required,” says the contract, “contractor will assist legislative reform specifically to allow for the privatization of State-owned industries and firms and/or establishing a privatization entity.”<sup>60</sup>

While in other countries, USAID and its contractors have to negotiate with the existing government to push for their desired laws, in Iraq, as a top US military official said on another matter, “[W]e’d be negotiating with ourselves because we are the government.”<sup>61</sup> While in other settings, they have to contend with existing bureaucracies, in Iraq, they were themselves building that bureaucracy – in this case, literally from the inside-out: To establish their presence firmly within the ministries, Bearing Point was tasked to set up “Macroeconomic Analysis Units” or “Tax Policy Units” to be staffed by Bearing Point employees within the Ministry of Finance and the Central Bank.<sup>62</sup>

The goal was to be visible and invisible at the same time. The US needed to lock-in the laws and policies but it also wanted to be able to show that it was the Iraqis who pushed for them. To this end, “the Contractor will employ extensive efforts to interact with government officials and leading authorities.”<sup>63</sup> Called “instilling ownership” in USAID jargon, this entails ensuring that the adoption of “reforms” are not perceived as externally imposed. “The ultimate goal,” notes the contract, “is to have Iraq’s government and private sector capable to assume responsibility for appropriately structured and managed market and non-market institutions...”<sup>64</sup> In other words, the measure of Bearing Point’s success relies on the capacity of Iraqis to continue to defend and sustain the neo-liberal economic regime even without US stewardship as formal occupation is ended.

## **PUT IRAQIS OUT FRONT**

But the laws, structures, and institutions that the US was constructing in Iraq were not going to survive on their own. The paradox of any free market system is that it requires strong intervention to keep it “free.” In order to perpetuate its preferred economic order in Iraq, the US, from the earliest days of the occupation, had searched for Iraqis who would be willing to do its bidding – not because they were just unthinking “puppets” – but because their interests converge with that of the US. This confluence of interests has been found to be a firmer foundation for collaboration: While the US needs Iraqi faces to project “ownership” and to show that they’re not colonizers imposing their will on the Iraqi people, these Iraqis need the US because, lacking constituency and legitimacy, they have no chance surviving in power without US patronage and protection.<sup>65</sup> Advising the US administration on how to quell mounting attacks against US forces, Thomas Friedman described this strategy as putting “more Americans out back and more Iraqis out front.”<sup>66</sup>

In examining the US’ relationship with these Iraqis, the USAID’s highly developed step-by-step check-list of techniques for improving the likelihood of “reforms” being successfully embraced is illuminating. To achieve “legitimation” or the means for getting “buy-in” from the people who should be seen as owning the policies, USAID should single out “policy champions” or people who could be relied on to act as its main proponents. Drawing from its “Policy Implementation Toolkit,” USAID contractors should perform “stakeholder analysis” to help them “identify individuals and groups that have an interest, or stake, in the outcome of a policy decision.”<sup>67</sup> To do this, a catalog of stakeholders classifying them either as “supporters,” “opponents” or “neutral parties” should be created and maintained.<sup>68</sup>

It is worth mentioning that the US’ “policy champions” are not just to be put inside the formal apparatuses of the state, they are also to be lodged within “civil society.” Along with the troops who entered Iraq was a silent battalion of agencies and contractors whose mission was to build up a pro-US, pro-neo-liberal “civil society” by creating, funding, and supporting NGOs, trade unions, business councils, research institutions, professional associations, and other civil society

organizations. Since the beginning of the occupation, this battalion has fanned out across the country, effectively building up a national political machinery of supporters and campaigners of groups fundamentally at peace with the US role in the country.<sup>69</sup> On the one hand, they were being built up as a mass base to support the Iraqis that the US wanted to run Iraq's government; at the same time, they could also be used to pressure them into backing the US agenda. As the USAID put it, "Where political will for systemic reform is lacking, the main thing that foreign assistance can do is to strengthen the constituencies for reform in civil society."<sup>70</sup>

While the Iraqis out front may occasionally disagree with the Americans out back, on the fundamental questions, they either concur or have no other choice but to submit. After all, their powers are meant to be confined to day-to-day administrative affairs; the US ultimately calls the shots on the questions that matter most. As Dilip Hiro, a Middle East historian put it, "What Washington wanted was Iraqis who – while willing to dabble in occasional criticism of the administration – were in the final analysis beholden to it."<sup>71</sup> So while the relationship can at times be turbulent, the Americans know that they need the Iraqis out front as much as the Iraqis need the Americans out back.

And so, as both parties were forced to show that something was being handed from one to the other as part of a political transition, both worked in tandem to hold on to power. The story of the political transition is the story of how the US attempted to manage the process and determine the outcome every step of the way, as evidenced by its efforts to retain the power of its preferred Iraqis and preserve ultimate political, military, and economic control while appearing to be relinquishing them.

### **HAND-OVER 'SOVEREIGNTY' BUT KEEP ALL THE POWER**

On June 28 2004, the US reportedly handed over "sovereignty" to Iraq and began a gradual process towards installing an elected government. As to what exactly that word meant, even US officials had varying interpretations. According to Bush, they were transferring "full sovereignty";<sup>72</sup> a State Undersecretary called it "limited sovereignty."<sup>73</sup> For then State Secretary Colin Powell, "It's sovereignty but (some) of that

sovereignty they are going to allow us to exercise on their behalf and with their permission."<sup>74</sup> But with the US ultimately deciding which part of that sovereignty they're going to exercise on the Iraqis' behalf and which part they we're going to concede to the Iraqis, US Congresswoman Nancy Pelosi's description of the event was perhaps most accurate: It was "essentially a handover of authority from the US-led occupation to the new embassy there."<sup>75</sup>

Despite media coverage to the contrary, then Defense Undersecretary Paul Wolfowitz was first to caution against depicting the June 28 hand-over as a "magical date."<sup>76</sup> The Transitional Administrative Law, or the so-called interim constitution which was drafted by American lawyers and which Bush vowed would embody "American values," was to remain in force.<sup>77</sup> This meant that the Orders enacted by Bremer would also remain in effect. Repealing it would be extremely difficult, if not near impossible, because to do so would require the approval of two-thirds to three-fourths of a future assembly. As if to underscore the continuity before and after the hand-over, a State Department official explained, "The law doesn't expire with a new government coming in, any more than the laws passed under the Clinton administration expired when the Bush administration came into office."<sup>78</sup>

All US and coalition troops were to stay behind indefinitely and the Iraqi government had no power over them, no authority to order them to leave, and no control over their operations.<sup>79</sup> They even had no power to prosecute them in case they commit crimes because they were granted legal immunity by the US.<sup>80</sup> The CIA retained control of Iraq's intelligence apparatus.<sup>81</sup> Asked when the troops might leave, Gen Richard B. Myers, chairman of Joint Chiefs of Staff, said, "I really do believe it's unknowable."<sup>82</sup> While the occupation forces struggled to cast the Iraqi troops as Iraq's own army, they were in fact being built to function as proxies of the US military. The TAL puts them under US command, at the frontlines.<sup>83</sup> As a Pentagon official explained, "They will take over the fight as we move back into the shadow, out of the cities, and provide logistics, quick-reaction forces, communications, food, bullets, advice and training."<sup>84</sup> One of Iraq's most important defense officials, its National Security Adviser, was to be appointed by

Bremer and was to remain in office even after a government is elected.<sup>85</sup>

Apart from leaving behind the US troops to watch over the new government, the US also created new commissions and institutions that, according to the *Wall Street Journal*, “effectively take away virtually all of the powers once held by several ministries.”<sup>86</sup> This included Iraq’s Inspector General, the Commission on Public Integrity, the Communication and Media Commission, which has the power to shut down media outlets, and the Board of Supreme Audit, which has authority to review government contracts.<sup>87</sup> Bremer appointed the chiefs of these powerful commissions to five-year terms, effectively ensuring that they could not be replaced by the incoming government, in order to “promote his concepts of governance long after the planned hand-over,” according to the *Washington Post*.<sup>88</sup> Iraq’s Oil Minister had hoped that, “When sovereignty is regained, it means that there will be no more US advisers not only in the ministry of oil, but in every ministry in Iraq.”<sup>89</sup> In fact, the 110 to 160 advisers in the various ministries were not told to vacate their desks and they continue to report for work in the ministries until now.<sup>90</sup>

Aside from having no power over the troops and having little sway over the ministries, the new interim government would also have little power over the coffers. While authority over Iraq’s oil revenues was to be transferred to the interim government, the US had tied its proceeds down to projects decided by the US and to contractors chosen by the US, thereby depleting the amount of revenue to be controlled by the interim government. As the date of the hand-over approached, the US engaged in a massive spending spree. Issuing more than 1,000 contracts on a single day, it was, as the *Los Angeles Times* described it, “like a Barneys warehouse sale in the Wild West, with the US playing the role of frenzied shopper and leaving Iraqis to pay the bill.”<sup>91</sup> At some point, US soldiers used the cash that they had been given from out of Iraq’s oil revenues to attempt to make the Iraqis “like” them.<sup>92</sup> Between \$4 to \$20 billion of Iraq’s oil revenues disbursed under the occupation authorities were unaccounted for, prompting Transparency International to warn that Iraq could be the “biggest corruption scandal in history.”<sup>93</sup>

The US had the option to retain management control over all contracts entered before the CPA was dissolved; the interim government had no power to renege on them, reallocate previously committed funds, and enter into longer-term commitments.<sup>94</sup> Along with the International Monetary Fund, the US would still have a seat in the body monitoring disbursements after the hand-over and would still have power over the other big source of money flowing into Iraq, the \$18-billion reconstruction fund from the US, and to an extent, over the amounts donated to Iraq by foreign donors.<sup>95</sup> In fact, Iraq’s budget for 2004-2006 had to be approved by the CPA and had to meet the guidelines of the IMF.<sup>96</sup>

All these indicate that the occupation did not end; the June 28 hand-over merely inaugurated a new relationship between the Americans and the Iraqis. “We’re still here. We’ll be paying a lot of attention and we’ll have a lot of influence,” a ranking US official said.<sup>97</sup> It was an exit strategy without having to exit and the goal was to put in place handles with which to pull strings. As one senior White House official told the *New York Times* then, “We’ll have more levers than you think, and maybe more than the Iraqis think.”<sup>98</sup>

### **CHOOSE TO WHOM YOU’RE GOING TO HAND-OVER ‘SOVEREIGNTY’**

Aside from setting the terms by which “sovereignty” was going to be transferred, the US also decided to whom it was going to be transferred.

In an attempt to bestow legitimacy on the process and show that the international community has a role in the transition, the US deployed UN special envoy Lakhdar Brahimi to Iraq to hold consultations with various groups in search of the particular Iraqis to head Iraq’s transitional government. Brahimi came out of the negotiations and horse-trading at first furious, then exasperated, then resigned to the outcome, saying, “I sometimes say – I’m sure he doesn’t mind me saying that – that Bremer is the dictator of Iraq. He has the money. He has the signature. Nothing happens without his agreement in this country.”<sup>99</sup>

In the end, it was the US, through Bremer and a certain Robert Blackwill, who chose Iraq’s new prime minister, Iyad Allawi. The National Security Council’s coordinator for

strategic planning and Bush's unofficial emissary to Iraq, Blackwill was said to be the "single most influential person when it comes to decision-making in Baghdad today," according to an expert on the Middle East with the US Institute of Peace.<sup>100</sup> He allegedly gave Brahimi the names of the Iraqis that the US favored and reportedly "railroaded" the IGC into supporting Allawi, as confirmed by people involved in the process, because he was most willing to give in to the US demands.<sup>101</sup> One IGC member, Mahmoud Othman complained, "The Americans are trying to impose their decisions on us, and we are trying to reject them."<sup>102</sup> The *New York Times* observed how the turn of events seemed to confirm that Brahimi "was merely bowing to the wishes of others."<sup>103</sup> Brahimi himself admitted that he faced "terrible pressure" that prevented him from asserting his preferences;<sup>104</sup> others reported that he only gave in to the Americans' choice because of their "aggressive recommendation."<sup>105</sup> He said: "You know, sometimes people think I am a free agent out here, that I have a free hand to do whatever I want."<sup>106</sup>

Blackwill's choice, Allawi, was a long-time CIA agent who provided some of the misleading intelligence reports that the US and the UK needed to justify the war.<sup>107</sup> He also subsequently gave the US what it badly wanted at that particular juncture: an invitation for the US-led troops to stay. With Allawi, as "prime minister," agreeing not to call for the withdrawal of US occupation forces, the US secured the legal veneer it needed in the form of a United Nations Resolution proclaiming that the Iraqis had regained sovereignty. Ghazi al-Yawar, the IGC member who emerged as "president," said that it would be "complete nonsense" to call for the troops to leave.<sup>108</sup>

For the second step of the political process, the formation of the Iraqi Interim National Council in August 2004, the US and the IGC agreed to reserve 19 out of the 100 seats to the parties that were in IGC. The method of balloting for choosing the rest of the 81 was designed such that these same parties would eventually dominate the council. The participants of the conference were self-selected; groups calling for the withdrawal of troops simply boycotted the event.<sup>109</sup> Those who did attend were supposed to come up with lists of candidates but since only the parties that were already in the IGC were able

to consolidate their rosters in time, no voting eventually took place and a 4-member panel ended up hand-picking the members.<sup>110</sup> As one participant explained it, "They've already divided the cake among themselves. They've been negotiating in secret for weeks. We don't know who is on this list and they tell us, 'take it or leave it!'"<sup>111</sup>

### **PUT YOUR FRIENDS IN POWER**

The third step in the process was the elections held in January 2005. Here, the US did everything its power to make sure Scowcroft's scenario does not come true.

After deciding to accelerate the transition process, the US reallocated its budget for "democracy-building" from \$100 million to \$458 million out of its \$18-billion reconstruction chest." So important was this goal seen that its allotment was just about as big as the budget for transportation and telecommunications projects.<sup>112</sup> For the elections, the US allotted more than \$30 million to provide "strategic advise, training, and polling data" to "moderate and democratic" Iraqi political parties in order to make them "compete effectively" and to "increase their support among the Iraqi people."<sup>113</sup> The Department of State was reported to be spending \$1 million on monthly opinion surveys to find out "which candidates are attracting the most support from the Iraqi people."<sup>114</sup>

Brought in to carry out these electoral operations were the usual "democracy promotion" organs of the US such as the USAID and its contractors, the National Endowment for Democracy (NED), the National Democratic Institute (NDI), the International Republican Institute (IRI), International Foundation of Elections Systems, etc, which are documented to have supported and funded pro-US parties and candidates in Venezuela, Nicaragua, Haiti, Ukraine, El Salvador, etc.<sup>115</sup> The Central Intelligence Agency, whose station in Baghdad had grown to be its largest in the world, was also reported to be planning covert operations to influence election outcomes.<sup>116</sup> The NDI and the IRI, the foreign arms of the US' Democratic and Republican parties respectively, were given \$80 million by the USAID to help their preferred parties. The NED had been holding sessions teaching Iraqis how to build up their parties' local and regional structures, how to recruit members,

how to fundraise and how to cultivate relations with media.<sup>117</sup> The IRI produced a database of parties, with information on each group's characteristics, their regions of operations, and estimates of their memberships.<sup>118</sup>

In these activities, "democracy promotion" translated to promoting the US' goals in the country in general, and to promoting Allawi's party and most of the other parties that were inside the IGC, in particular.<sup>119</sup> This was a tough task because the interim government, as dominated by these parties, were seen by up to 55% of Iraqis in an IRI survey as no longer representing their interests.<sup>120</sup> As it did in Nicaragua or in Haiti, the White House explicitly urged leaders of the parties it was supporting to coalesce and get their act together. Blackwill continued to perform his role mediating between the Bush administration and the Iraqis, at one point suggesting that they form a single slate for the elections supposedly to counter the power of Grand Ayatollah Ali Sistani, Iraq's most influential religious and political leader.<sup>121</sup>

Even as the US gave its Iraqi allies advantage, it also sought to isolate and weaken their rivals. This was not limited to giving one side an advantage in resources and organization; it also meant writing the rules to their favor. The election law enacted by the CPA gave the 7-member electoral commission appointed by Bremer the power to disqualify candidates and required it to implement a code banning candidates from using "hate speech, intimidation, and support for the practice of and the use of terrorism."<sup>122</sup> In practice, given how "terrorism" has been defined in Iraq's context as actions directed against US forces, this code was meant to eliminate those whom Bremer called the "rejectionists" from the electoral race. One anti-occupation force, that headed by Moqtada Sadr, was not only banned from joining the elections but also became the target of an all-out military offensive and assassination.<sup>123</sup> Other important political forces, who were not necessarily engaged in armed resistance, boycotted the elections as a matter of principle or out of a strategic calculation that even if they engaged, they would have had no chance and they would only have ended up legitimizing the winners. Needless to say, in the dispensation of cash, none was to be given to the "rejectionists." As the IRI's President Lorne Craner, put it, "If

you're a violent party outside the process, this is not the right place for you."<sup>124</sup>

Further limiting the choices for Iraqis – and in effect favoring the non-rejectionists – was the manner by which the elections were actually conducted. For example, the composition of the ballots could only have been bewildering. It contained 98 mostly indistinguishable political formations to choose from, almost none of which – except the incumbents – had any chance to campaign and present themselves to the public. The full list of the 7,000-plus candidates was announced only five days before election. Moreover, all Iraqi expatriates living outside the country, the constituency of the exile parties supportive of the US, were automatically given the right to vote.<sup>125</sup>

The final outcome of the tally was clouded with confusion and suspicion. At first the election commissioner announced, even before polling closed, that the turn-out was 72%, only to be scaled down later to just 58%.<sup>126</sup> *Reuters* reported that the winning United Iraqi Alliance was initially informed by the electoral commission that they had won 60% of the vote, giving them a clear majority in the new interim government, only to be told later that they actually got 48% and therefore had to form a coalition government with the pro-US Kurdish parties.<sup>127</sup> There was no way of verifying whether fraud took place because there were no independent international monitors to scrutinize the elections. The world just had to take the US-installed Iraqi government's word for it.<sup>128</sup>

### **KEEP YOUR FRIENDS IN LINE**

Through the first three steps of the stage-managed political process, the US has so far succeeded in installing a government supportive of the US goals in Iraq. Currently at the helm of Iraq's interim government are virtually the same political forces who came side-by-side with the Americans during the invasion and who were subsequently appointed to the IGC.

While there have been tensions and disagreements, most of them have consistently echoed the US' plans for Iraq's economy. The first appointed oil minister of the Iraq Governing Council, Mohammad Bahr al-Ulum said he favored the privatization of downstream oil installations and production-sharing contracts upstream, saying

priority would be given to US oil companies and “European companies, probably.”<sup>129</sup> He also vigorously enticed foreign oil companies to invest in Iraq and removed senior technocrats in the oil ministry who oppose his plans. Just before bowing out of power as Iraq’s prime minister between June 2004 and January 2005, Allawi signed guidelines permitting the multinational oil corporations to develop Iraq’s reserves and keeping oil policy out of the hands of any future parliament.<sup>130</sup> While he reportedly had a few skirmishes with sections of the Bush administration, Ahmed Chalabi – who is even more aggressive in pushing for the privatization of Iraq’s oil – went on to become Iraq’s acting oil minister after the January 2005 elections.<sup>131</sup> “American oil companies will have a big shot at Iraqi oil,” Chalabi had promised before the invasion.<sup>132</sup> With Iraqis like these in front, Pentagon officials had already assured investors who signed contracts with the former occupation authority that their investments would be honored by the new government because those who were involved in the reconstruction planning will still be part of that government.<sup>133</sup>

While some commentators have played up the supposed contradictory relationship between the US’ and the winning UIA, which includes parties with Shia constituencies such as the Supreme Council for Islamic Revolution (SCIRI) and the Da’awa Party, it bears pointing out that a week before the elections, the UIA changed its platform from “setting a timetable for the withdrawal of multinational forces in Iraq” to “the Iraq we want is capable of protecting its borders and security without depending on foreign forces.”<sup>134</sup> It was Da’awa leader Ibrahim al-Jafaari, Iraq’s new prime minister, who allowed the US forces to stay on beyond the elections.<sup>135</sup> It was Adil Abdel Mahdi, a senior leader of SCIRI and now Iraq’s vice president, who, just before the elections, said the government intends to privatize the Iraqi National Oil Company and open up Iraq’s oil reserves to multinational oil companies, saying, “[T]his is very promising to the American investors and to American enterprises, certainly to oil companies.”<sup>136</sup> As importantly as the new interim government’s decision to allow the troops to stay and to open up the oil reserves is its decision to respect the Transitional Administrative Law, and therefore, to keep the neo-liberal economic laws in place.<sup>137</sup>

## **BRING IN THE BRETTON WOODS TWINS**

Having succeeded in installing the “non-rejectionists” at the reins of Iraq’s interim government and in preserving the structures it had constructed to secure its neo-liberal laws, the US is confident that its “reforms” for Iraq will survive the last two steps of the political transition: the scheduled referendum on the new constitution this October 2005 and then the elections for a constitutionally elected government this December 2005. As the Iraqis write their country’s most important law, there are already indications that the US embassy in Baghdad, its largest in the world, will not sit idly by. Deputy Prime Minister Roz Noori Shawes has signified that “we might make use of foreign experts.”<sup>138</sup> USAID “advisers” are ready with their “technical assistance.” Former State Secretary Colin Powell has clearly stated what the priorities of the largest US embassy in the world will be. “The real challenge for the new embassy, so to speak, or the new presence will be helping the Iraqi people get ready for their full elections and the full constitution...,” he said.<sup>139</sup>

Meantime, the neo-liberal agenda is moving forward. Iraq’s Industry Ministry announced in May 2005 that the plans to privatize the SOEs are pushing through.<sup>140</sup> The plans for Iraq’s oil industry has become much clearer. As proposed by US advisers, Iraq will form a state oil company that will walk and talk like a state oil company but will not be a state oil company. It will be nominally state-owned but open to foreign investors”; “politically independent” but “run by a professional management team insulated from political interference in day-to-day affairs.”<sup>141</sup>

Despite the relative success with which the US has managed the political transition so far, however, the US is still not assured of making the “capitalist’s dream” come true. As of June 2005, the resistance to the occupation is growing, not abating. The latest survey shows that 45% of Iraqi respondents support those fighting the US troops, while only 15% back the US-led coalition.<sup>142</sup> Moreover, in spite of its accomplishment in putting Iraqis friendly to its interests in power, there’s still opposition – even among the non-rejectionists – to the US neo-liberal economic plans, as evidenced most dramatically by the IGC’s earlier unanimous decision not to participate in the proposed privatization program.<sup>143</sup>

To confront this defiance and to further circumscribe the power of any Iraqi government in power – whether it be run by rejectionists or non-rejectionists, the US has tapped the services of the multilateral financial institutions known for disciplining recalcitrant governments resisting economic re-structuring. In November 2004, the Paris Club decided to forgive a portion of Iraq’s \$40 billion debt but only if it follows IMF conditions.<sup>144</sup> As evidenced by its reports and policy papers, the IMF’s stance towards Iraq clearly hews closely to that of the US, i.e. that the country is in desperate shape because of Saddam’s centralized economy, that the US has come to liberate it, the IMF is only there to help, and that the ones resisting the occupation are “opponents.”<sup>145</sup>

Its economic design on Iraq also fits in very neatly with the US’ plans. According to Takatoshi Kato, IMF Deputy Managing Director, “Iraq will need to embark in the near future on a program of ambitious structural reforms to achieve sustained private sector-led growth, including, among other things, the establishment of the legal, institutional and regulatory frameworks for markets to work effectively and the design of appropriate safety nets that would support social stability.”<sup>146</sup> IMF loans, Kato said, should “help the authorities to undertake difficult but necessary reforms, including restructuring of the public sector.”<sup>147</sup>

Tasked to coordinate closely with the IMF is the World Bank which is now headed by one of the US’ top war architects, then Defense Undersecretary Paul Wolfowitz, who, when asked why the US invaded Iraq and not North Korea, said: “[E]conomically, we just had no choice in Iraq. The country swims on a sea of oil.”<sup>148</sup> The World Bank has already worked on Iraq’s National Development Strategy, or the over-all framework for Iraq’s economy and, like Bearing Point, is providing technical assistance on virtually all aspects of Iraq’s economy. Like Bearing Point, the World Bank staff calls for fast action. Citing the lessons of an earlier war, a working paper states that “One of the main lessons of Bosnia and Herzegovina’s experience is the need to press for investment-related policy reforms as early as feasible...[T]here is no doubt that earlier reform would have been desirable, and this is one of the most important lessons for other post-conflict environments.”<sup>149</sup>

As it has done in scores of countries around the world, the IMF and the World Bank use debt as leverage to impose conditions that severely inhibit the policy scope of any future Iraqi government. Though the Iraqi National Assembly has rejected the Paris Club deal on the debt,<sup>150</sup> the interim government has promised the IMF that it will push through with “reforms aimed at reducing the role of the government in the economy,” including cutbacks in government employees’ wages and pensions and in subsidies on food and oil products.<sup>151</sup> While there are serious shortcomings in the way the Assembly was constituted, it is the closest representative institution in Iraq – certainly more representative than the hand-picked Finance Minister – and its position on the debt and the IMF’s conditions illustrate the threats that the US economic agenda faces once more Iraqis are given a say.

### **KEEP THE TROOPS READY TO MARCH OUT ANYTIME**

But there’s no option of backing down. While there have been divergences among US officials on the scale and speed of Iraq’s economic restructuring, there has been few cracks on the ultimate goal of transforming Iraq into an open free-market economy.<sup>152</sup> As long as the Iraqis out front are protected by those out back, the plans will push through. As General David Petraeus, who was tasked to oversee training of Iraqi forces, said, “The key there is of course Iraqi leadership backed up and very firmly embraced by coalition forces.”<sup>153</sup>

Just in case anything happens, i.e. the rejectionists take power despite all of the US’ precautions or the non-rejectionists begin disobeying orders, the US can always call in the troops – or order them to march out of their bases – anytime. The indefinite presence of the US troops and the planned establishment of permanent military bases in Iraq represent the ultimate safeguard for the US’ economic agenda in Iraq. US military engineers are now constructing a network of up to 14 “enduring” military bases all over Iraq.<sup>154</sup> Noting how US naval bases in the Philippines gave the US “great presence in the Pacific,” former Iraq administrator Lt Gen Jay Garner, said “To me that’s what Iraq is for the next few decades. We ought to have something there...that gives us great presence in the Middle East.”<sup>155</sup> The US has also drafted a Status of Forces Agreement, the same sort

the US has with dozens of countries around the world, in order to present the US troops' continuing stay in Iraq as a deal between two sovereign countries.<sup>156</sup> As was the case in the Philippines, it is expected that concurrence with this agreement will be a condition for any local Iraqis wanting US support for their political ambitions.

Like missiles directly aimed at any Iraqi government, the presence of the US-led coalition will serve to threaten and restrain any Iraqi government's ambitions. Asked what the Bush administration would do if the transition government start doing things inimical to US interests, a State Department official cryptically said, "We have to make our views known in the way that we do around the world."<sup>157</sup> Such will be the enduring relationship between the US and the Iraqi government. One US official summed it up, saying that although Iraqis were "the ultimate determinants of their own destiny...we have 140,000 troops here, and they're getting shot at. We're also spending a lot of money. We don't dictate action plans. But we constantly remind them that we're working toward the same goal, and we have our 'red lines.'"<sup>158</sup> The US will ensure that, in case the laws and institutions falter or the Iraqis cross the lines, Iraq's neo-liberal regime will endure as it was created: by force. ■

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