

The *Independent on Sunday* later reported that BP and Shell 'were among a select group of energy majors who are to be invited [by the Governing Council] to invest in developing' Iraq's oilfields (29th September) and according to the *FT* 'senior Iraqi oil officials are pushing for Iraq to decide by the end of the year, before a legitimate government comes to power, its oil policy and the legal basis for international company involvement in exploiting its massive oil and natural gas reserves' (21st October, emphasis added).

THE DEMOCRATIC DEFICIT

Bremer claims to have 'worked closely with the [Iraqi] Governing Council to ensure that economic change occurs in a manner acceptable to the people of Iraq' but the 25-member 'Governing Council' is a body selected by Mr Bremer in consultation with a group of 7 Iraqis selected by Mr Bremer! It no more 'represents' the Iraqi people than Mr Bremer himself.

Neither the Council nor Mr Bremer has a mandate to determine what is 'acceptable to the people of Iraq.' As Greg Palast observes: 'If the Iraqi people choose to have a market-driven economy, [if] they want to sell off their oil industries, go right ahead. [But] I don't think that five guys in the US State Department should be making that decision for them.' (*Labour Left Briefing*, July 2003).

'SICK AND TIRED'

Of course, not everyone is overjoyed with these prospects eg. the Governing Council's trade minister Ali Allawi, who told the *International Herald Tribune* that 'the Iraqi people are sick and tired of being the subjects of experiments ... we don't need this shock therapy in the economy' (13th October).

Back in April Naomi Klein wrote that in Iraq 'a people, starved and sickened by sanctions, then pulverised by war, is going to emerge from this trauma to find that their country had been sold out from under them. They will also discover that their new-found "freedom" - for which so many of their loved ones perished - comes pre-shackled by irreversible economic decisions that were made in boardrooms while the bombs were still falling. They will then be told to vote for their new leaders, and welcomed to the wonderful world of democracy' (*Guardian*, April 14th).

This must not be allowed to happen.

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IRAQ FOR SALE

The Privatisation of Iraq

A voices uk briefing, 22nd October 2003

The corporate invasion of Iraq gathered pace this September when the US civilian administration in Iraq (the so-called Coalition Provisional Authority or CPA) issued a series of new laws concerning taxes, tariffs and foreign investment which, in the words of the *Guardian*, 'effectively put [Iraq] up for sale' (22 Sept.)

These measures were passed in a context in which the Bush administration has been 'treating [reconstruction] contracts as prizes to be handed to their friends ... delaying Iraq's recovery, with potentially catastrophic consequences' (economist Paul Krugman, *New York Times*, 30th September).

NEW LAWS

The new laws allow foreign investors to control up to 100% of Iraqi enterprises in every sector of the Iraqi economy except oil, gas and minerals (where foreign direct and indirect ownership remains prohibited for the time-being) and banking. Foreign investors are now entitled to make their investments 'on terms no less favorable than those applied to an Iraqi investor' and to repatriate any profits 'without delay.'

The new laws also open up Iraq's banking system to foreign ownership. There is no limitation on the number of licences granted to persons 'owning 50% or less in an existing or new domestic bank' and up to six licences will be granted for 'banks controlled by foreign persons' through December 31, 2008 - after which all restrictions will be lifted.

From the beginning of next year corporate taxes will be 'slash[ed] ... to 15% from a prior 45%' (*Reuters*, 21 September) and a flat tariff of 5% will be placed on all imports other than humanitarian goods.

100%?

Stung by criticism that the new measures permitted '100% foreign ownership of Iraqi economic sectors that, until now, had been publicly owned' International Development Secretary Hilary Benn fumed that his critics should 'inform [themselves] better about what's actually going on in Iraq' claiming that 'prior to the establishment of a sovereign Iraqi government, state-owned enterprises can be sold only to majority-Iraqi entities' (Letter to the *Guardian*, 20th October). In reality there is no such provision (see *CPA Order #39: Foreign Investment*

available on-line at www.cpa-iraq.org). In any event Iraq's economy *is* up for sale. Perhaps Mr Benn 'should inform himself better'?

'A RECIPE FOR A CAPITALIST IRAQ'

Reuters noted that the 'reforms ... read like a recipe devised by Washington for a capitalist Iraq' (21 September). In fact, they are: the US Agency for International Development (USAID) produced just such a blueprint prior to the invasion.

Drafted in February, the confidential 100 page document – leaked to *the Wall Street Journal* – spelt out 'sweeping plans to remake Iraq's economy ... based on free-market principles' (May 1st 2003). The plans included the 'mass privatisation of Iraqi industry' – including Iraq's oil sector – and 'fundamental tax reform.'

The Governing Council – the group of 25 Iraqis picked by the US to front the occupation – appear to have been unwilling or unable to challenge these plans.

One US official told *Reuters* that the new laws regarding foreign investment do 'not require any screening process – *something he said the Iraqis had requested* – which would make investment there more alluring to foreigners.' (21 September, emphasis added). 'You can make money in a country like Iraq,' he told the paper 'You don't have to have everything be perfect to make money.'

BAD NEWS

Similar 'economic restructuring' elsewhere has led to corruption, massive job losses, and gaping inequality – and is likely to do so again in Iraq. (It is worth remembering that, according to the *Economist Intelligence Unit*, prior to the imposition of sanctions the Iraqi welfare state was 'among the most comprehensive and generous in the Arab World.')

According to Fadhil Mahdi, regional programme manager for the United Nations Development Programme, "Opening up imports at a mere 5% tariff will most probably ruin many producers and exacerbate unemployment" (*New York Times*, October 2nd). Yet for the true believers it is the very existence of a tariff – even a 5% one – that is 'the bad news.' '[It] is not liberal, it will deter investment,' writes free-market ideologue Amity Shales who otherwise hailed 'Iraq's recent progress [sic] in generating free market leadership' under the 'emerging visionary' (and Pentagon favourite) Ahmad Chalabi – who she fails to mention is wanted for bank fraud in Jordan (*FT*, 29 September).

NO COMPROMISE

Interestingly, just three days before the new laws were announced the *Boston Globe* reported that plans to 'aggressively sell and privatise many state-run Iraqi

businesses' had been put on hold and that 'US officials in charge of Iraq fear that privatising industries would force the dismissal of thousands of people in state-run companies with bloated payrolls, exacerbating an unemployment rate estimated at 50 percent of working-age Iraqis' (*Boston Globe*, 18th Sept. 2003).

According to the *Globe* CPA Head Paul Bremer had 'acknowledged [that] the planned privatisation of Iraq's state-run industries would be delayed because the country was too unstable to absorb the shock of swift deregulation.'

A few days later however 'the US flew some of the leading architects of eastern Europe's structural reforms of the 1990s to Baghdad for a conference ... to encourage leading Iraqi civil servants and bankers to embrace US plans for privatisation' (*FT*, 22 September). "Compromise with the past under the excuse of reducing the pain of reforms or the need for reconciliation is the single most costly mistake that was made in Bulgaria," Martin Zaimov, a former deputy governor of Bulgaria's central bank told the conference.

THREE TO FIVE YEARS?

Exactly how fast privatisation will proceed remains unclear. Even the World Bank has 'warn[ed] against immediate action in closing down [Iraq's] 192 state enterprises [which employ half a million people] and says they should be kept going to "preserve employment and social stability"' (*BBC*, 10th October).

On October 17th the director of private sector development for the CPA, Thomas Foley (who also happens to be one of George W Bush's biggest fundraisers) told *AP* that 'an overall plan for privatisation [would] be submitted ... in the next several weeks' though he anticipated that 'the majority of privatisations w[ould] be carried out by a sovereign government' in a process that would probably take 'three to five years' (*AP*, 17th October). Which rather begs the question why all of these decisions are being taken *now* before there is a legitimate government in power?

HAMLET WITHOUT THE PRINCE

The oil sector was deliberately excluded from the new laws on foreign investment – presumably owing to its political sensitivity. Nonetheless Iraq's new oil minister has told the *FT* that 'Iraq is preparing plans for the privatization of its giant oil sector' though 'a decision would not be taken until after elections' (*FT*, 5th September). "The Iraqi oil sector needs privatization, but it's a cultural issue,' Ibrahim Bahr al-Uloum told the paper, explaining that it would 'require 'a lot of effort,' to educate [sic] the public, and should *begin* with refineries and other downstream operations, while leaving the oilfields in the hands of the "Iraqi people"' (emphasis added).