

# THE CORPORATE INVASION OF IRAQ

## Iraq Occupation Focus Factsheet #2

Since the beginning of the occupation, multinational corporations have made billions in contracts to provide services ranging from logistics and supply work for the military, to translation, reconstruction work and private security. Meanwhile, the Coalition Provisional Authority set about making Iraq safe for no-holds-barred neo-liberal capitalism...

### Bremer's Coalition Provisional Authority

When US-appointed governor Paul Bremer departed Iraq in the so-called 'handover' of June 2003, he left behind a series of 'orders', which had been enacted during previous year and which formed the basis for law-making in that time. On 19<sup>th</sup> September 2003, Bremer issued Order 39, under which foreign investors can own 100% of Iraqi firms and remove all subsequent profits from the country, exempting only the oil and gas industry and banking. Described by *the Economist* as a "capitalist dream", the order proposed the privatisation of 200 state companies.

Other orders included Order 81 on patents, which overturned Iraq's previous patent laws in regard to seed varieties. Traditional Iraqi agriculture has relied on the replanting of farm-saved seeds and the free exchange of seeds among farming communities. Now all seed varieties registered under the law remain the property of those registering them, which means in practice that farmers will have to re-purchase seeds each season. The winners will be the chemical giants who control global seed trade: Monsanto, Syngenta and Dow Chemical.

Bremer's Public Notice on Organisation in the Workplace of June 2003 made it clear that whilst the occupation was ripping up some of Saddam Hussein's laws, they were happy to respect others – in this case one forbidding trade unions. Although this has since been relaxed under prime minister Iyad Allawi, the only union federation so far recognised by the interim government is the Iraqi Federation of Trade Unions, which is controlled by Allawi's political allies.

Bremer also slashed the ceiling on corporate taxes from 45% to just 15% at the beginning of 2004. Objections that this and other actions of the CPA were not legal under international law, which prohibits an occupying power from enacting major changes to the laws of an occupied country, have not changed the reality on the ground.

### The Reconstruction Racket

The US Agency for International Development (USAID) awarded a variety of contracts for rebuilding Iraq's

infrastructure in the aftermath of the invasion. One of the big winners was **Bechtel**. Of all the projects they were contracted to undertake, only one has been completed on time: the dredging and clearing of the port of Umm Qasr, which happened to be vital for bringing in heavy equipment to support the occupation. Infrastructure that merely services Iraqis has had no such luck. In April 2004, a year after the invasion, Baghdad's sewage treatment works were still not fixed, allowing raw sewage to flow into the Tigris. Electricity shortages are still a daily occurrence and schools that Bechtel subcontractors were paid to repair are barely improved. Accusations of waste are common; Bechtel and others simply do nothing for months while Iraqi engineers say they could fix things easily and at a fraction of the cost.

*"Reconstruction work ... 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." – Focus on the Global South*

**Halliburton** subsidiary Kellogg, Brown and Root (KBR) commonly employs South Asian workers despite an Iraqi unemployment rate which has reached as high as 67%. It simply doesn't trust Iraqis. Halliburton's contracts are estimated to be worth \$10.8 billion, but it works on a 'cost plus' basis, which means it is guaranteed all costs plus a 1 percent profit margin. Auditors for the US Army, whose logistical backup KBR supplies, have recommended suspension of some payments to Halliburton after allegations of deliberate overspending and negligence, though the Army has not taken their advice.

Contracts have routinely disallowed subcontracting to firms owned by the Iraqi government, which is most firms of any size. This applies, for instance to a recent contract won by British firm **Amecc** (worth \$1.6 billion) for reconstruction work. Other British firms involved in Iraq include **Aegis**, who get \$293 million for private security operations, **HSBC**, one of three foreign banks allowed to operate in Iraq, and **Shell**, which intends to establish a "material and enduring presence in Iraq".

When challenged, companies such as Bechtel often blame the armed resistance for the slow progress of their projects. In fact, the complete failure to rebuild Iraq fed the anger that led people to join the resistance in the first place.

### 'Reparations' – the corporate slush fund

Since Saddam Hussein's 1990 invasion of Kuwait, Iraq has been paying reparations through the United Nations Compensation Commission. Using money raised through oil sales, the country has paid a total of

\$19 billion, of which \$2 billion has been paid since the 2003 invasion. These payments are not limited to compensation for human casualties, or even property; in fact, 78% of the payments have gone to multinational corporations.

Corporate compensation claims in respect of the invasion of Kuwait are not primarily connected to property losses; they are largely for intangible claims like 'loss of business'. Awards made through the UNCC range from \$505m to Texaco through \$2.6m for Nestlé, to \$189,499 awarded to Toys R Us. And since payments to corporations so far represent only 20% of the money actually awarded to them, Iraqis will be paying through the nose for years to come.

### The IMF and structural adjustment

In October 2004 the International Monetary Fund approved a \$437 million loan to the Iraqi government. Had 'reparations' to various corporations been written off, the loan could have been avoided entirely. Instead, Iraq had to increase its already vast debt and accept stringent conditions. The IMF has been widely criticised for its policy of making loans to poor countries conditional on widespread restructuring of their economies, including cutbacks in public services and opening up enterprises to the involvement of multinational corporations. This case was no different.

The Interim government's agreement with the IMF included massive cuts in food subsidies, which are the only thing standing between many Iraqis and starvation, as well as what the IMF calls "progress toward a more market-oriented economy". This includes plans to allow foreign companies access to Iraq's huge oil reserves, through the privatisation of the Iraqi National Oil Company.

In fact, the US has treated Iraq as a vast experiment in neo-liberal economics from the beginning. Hundreds of US economic advisers have had a decisive say on economic policy issues and this has continued under Allawi's interim government.

### Resisting the corporate takeover

With the process of reconstruction such an obvious racket, it is hardly surprising that the armed resistance started targeting it. However, violent attacks are not the only form of resistance to the corporate takeover that has sprung up. Oil workers in Basra, now organised into the Basra Oil Union, have taken collective action to win important concessions.

*"We knew that the US strategy was military occupation, followed by economic occupation" – Hassan Juma'a Awad, President of the Basra Oil Union*

Strike action won an increase in the wage table set for public sector workers (which included the oil industry). The oil workers went on to insist that Iraqis undertake reconstruction work in the southern oil fields, and that KBR only be allowed to supply parts. The union is now trying to organise a conference against the privatisation of oil extraction itself.

On 1<sup>st</sup> March 2005, a demonstration of 3,000 marched on Khor Al-Zubair port. The port was being run by Danish company Maersk, who brought foreign workers in at the expense of Iraqi jobs. The militant demo managed to force the company to announce its immediate departure from 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." – Naomi Klein, writing in April 2003, just after the invasion*

### All change after the elections?

The elections on January 30<sup>th</sup> 2005 gave a parliamentary majority to the United Iraqi Alliance (UIA), a Shia-dominated coalition which spoke about establishing a timetable for the withdrawal of occupying troops. In addition, it pledged a social security system whereby the state guarantees a job to every able Iraqi and the cancellation of Iraq's debts and reparations payments. The vote was a clear rejection of the occupation – but will it make a difference?

Unsurprisingly, Blair and Bush immediately rejected any timetable for withdrawal, and the prospects don't look too good on other fronts either. Adel Abd al-Mahdi, Allawi's finance minister and a leading figure in the UIA, has already spoken of his plans to sell off state-owned enterprises, plans which he described as "very promising to the American investors". It was he who negotiated the IMF austerity package, and oversaw the signing of deals with Shell, BP and ChevronTexaco just weeks before the elections.

Whatever pressure the election results have brought to bear on the US and its allies, the reality is that the occupying armies are holding in place a system which is lucrative for a variety of US, UK and other companies, but which is disastrous for the people of Iraq. Only with an end to the occupation is there any hope that Iraqis can build a country based on putting the interests of people before those of profit-making.

### Further reading...

Pratap Chatterjee, *Iraq Inc.: A Profitable Occupation* (Seven Stories Press, 2004)  
Occupation Watch: [www.occupationwatch.org](http://www.occupationwatch.org)  
War Profiteers: [www.warprofiteers.com](http://www.warprofiteers.com)

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**About Iraq Occupation Focus** – IOF aims to expose and oppose the occupation of Iraq. In the last year we have organised numerous public meetings, a teach-in with international speakers, and hosted an Iraqi trade unionist's trip to Britain. We also produce a regular e-newsletter. Find out more at [www.iraqoccupationfocus.org.uk](http://www.iraqoccupationfocus.org.uk)