The notion of peacebuilding, and within that ensuring sustained peace by economic means, is attracting increasing attention in international policy circles, including the UN. A critical literature has developed in response which argues that the practice of international peacebuilding in recent years has mostly been a neocolonial top-down imposition of a liberal peace which favours business over labour and welfare and which ignores public preferences (e.g., Pugh, 2006; Richmond, 2006; Turner and Pugh, 2006). That critical literature also argues that international practice has failed to demonstrate in places such as Afghanistan any real capability to conceptualise – never mind carry out effectively – peacebuilding through economic means (Goodhand, 2002).

This chapter broadly endorses those critical views and builds on them in several ways. First, it shows that building peace through economic means in Iraq continues to be at most a vague, unfulfilled aspiration rather than a serious policy instrument. Second, it argues that, in the case of Iraq, peace is being subordinated by the United States and key institutions of global governance to an attempt to impose a neoliberal political economy, with that attempt experiencing major setbacks. Third, it argues for more of a distinction between liberalism and neoliberalism. While the two are related and indeed overlapping, the most negative – anti-labour, anti-welfare and anti-democratic – aspects of economic policy in Iraq are associated mainly with the latter. Recommendations such as working with, rather than against, organised labour
on the grounds that it will contribute more to building a political economy of peace are pointless when the policies are not mistaken and when the goal is not peace but neoliberal ones such as the defeat of organised labour. Fourth, it argues for giving more thought to presenting a dynamic picture of the struggle for and against neoliberal peacebuilding and the inclusions and exclusions which that struggle produces. Finally, it shows that economic peacebuilding is as much about counter-insurgent war as it is about peace.

<Heading 1>Peacebuilding as an instrument of liberal global governance</Heading 1>

The theory and practice of peacebuilding has developed primarily as an instrument of liberal global governance. Liberal is defined here as a formal and informal commitment to principles and practices of individual rights and responsibilities in the context of equality of opportunity, the rule of law, freedom of expression and association, a mainly market economy and governments chosen in multi-party free elections. That liberalism is propagated and implemented globally above, below and at the state level, and in a governance mode, that is, by a diverse range of non-state and quasi-state as well as state actors. A substantial, though variable, amount of state ownership of industry, economic regulation and planning and social welfare have been a routine part of the class compromise between capital and labour to stabilise liberal governance (Harvey, 2005: 10–12). However, such features resulting in what is usually termed ‘embedded liberalism’ (Ruggie, 1982, 2003) are not necessarily part of liberal governance and all these features are targeted for dismantling by the neoliberal project.
In this context, peacebuilding is in effect defined as a deliberate attempt to create the sustained non-use of physical violence to achieve social and political objectives (especially non-liberal ones, with violence being an instrument of liberal governance that is accepted in principle even if disputed in particular cases). The idea of peacebuilding has long been a staple of liberal peace activists and is now attracting increasing attention in global governance forums, most notably the UN. In March 2005, then UN Secretary-General Kofi Annan in his report *In Larger Freedom* called for a new UN Peacebuilding Commission to help countries make ‘the transition from war to lasting peace’ (Annan, 2005: para. 114): it was established the following year.

While the US government has remained immune to explicit discourses of ‘peacebuilding’, economic or otherwise, in relation to Iraq, consideration has been given in liberal governance circles to the economic aspects of creating lasting peace (US DoS, 2007: 2). This follows on from concern about the problems posed by war economies in two senses – economic activities on which combatants rely to support their war effort, and, more perniciously, economic activity that is dependent on the continuation of war. In this context, war is defined loosely so as to include violence for primarily economic rather than political purposes, a distinction which is often difficult to make in practice. The economic dimension of peacebuilding is then defined in the liberal framing as giving people an economic stake in peace rather than war that is sufficient in scale or type to make war less likely. Those exploring the economic aspect of peacebuilding in Iraq explicitly are mainly think tanks and humanitarian NGOs. The US Institute of Peace (USIP) was granted $10 million in Congress in 2003 with the explicit goal of promoting peacebuilding in Iraq, but its focus has not primarily been on economic issues (USIP...
In contrast, the Iraq Peace and Development Working Group (IPDWG) of NGOs is arguing for much greater weight to be given to an economic approach to peacebuilding and claims that it can be vital in ending conflict (EPIC, 2007). The contrast between their approaches emphasises the lack of any agreed idea of what peacebuilding is, how it works or how it relates to contemporary trends in the global political economy.

<Heading 1>Peacebuilding, neoliberalism and exclusion</Heading 1>

Peacebuilding takes place not in a vacuum but in the context of broader trends in political economy. In contemporary world politics, the main trends are, in sum, a shift from welfare to competition (or, synonymously, neoliberal) economies, with a significant proportion of humanity excluded from most of the material gains of either and reduced to self help or ‘bare life’ (Agamben, 1998; Duffield, 2005, 2007; Duffield, 2005, 2007; Agamben, 1998; Harvey, 2000, 2003, 2005; Jessop, 2002, 2003).

The models of welfare and competition political economies have been set out superbly by Bob Jessop in particular (2002, 2003). In a welfare political economy in the advanced industrial world, the state aims for full employment and promotes it through government spending, demand management and regulation of collective bargaining between workers and employers in relatively closed national economies. The state promotes labour’s acceptance of capital by encouraging consumption and providing welfare. Policymaking, including planning, regulation of business and correcting market failure, is primarily the affair of national governments. In a competition political economy, the state promotes flexibility, innovation and productivity in business and labour through incentives such as tax cuts, deregulation and privatisation. The dominant goal is competitiveness in markets that are never
fully free. Many social factors such as skills, defined broadly, are seen as vital to competitiveness, and the value of social policies such as education is measured primarily in relation to their perceived contribution to the economic sphere. Similarly, social welfare is seen decreasingly as a right and more as a means to promote competitiveness, with social welfare that seems to discourage or not contribute to competitiveness stigmatised or eliminated (see Chapter 16 in this volume).

Policymaking occurs at and across many levels – sub-national, national, regional and global – and with non-state and quasi-state actors as well as the state playing major policy roles. This multi-levelled governance does not herald the weakening of the state but instead its transformation. From this perspective, under neoliberalism, the state per se remains central but transformed actors, rather than being transcended or merely weakened, as some perspectives on globalisation argue. Furthermore, the state seeks to exercise ‘metagovernance’, that is, influence over governance (Jessop, 2002: ch. 6) to secure a new class compromise through legitimatation and material benefits.

This is not a simple, standardised transition with an end point. Different states have different national characteristics, different places within the global capitalist system and powerful dynamics that interact with these processes but are significantly independent from them and may overwhelm them, possibly for a long time. In addition, neoliberalism is itself evolving, with the replacement at the end of the 1990s of what was known as ‘the Washington consensus’ of structural adjustment (privatisation, deregulation and cuts in state spending) with ‘the post-Washington consensus’, which places a much greater emphasis on a role for the state and on social change and control to internalise acceptance of neoliberalism (Duffield, 2007: 98, 166–7). In the case of Iraq, there are many important features not captured...
in the phrase ‘transition from a welfare to a competition political economy’. Before the invasion Iraq was characterised by a state that, due to its oil income, was able to rely on bribes, extreme repression and towards the end increased tribalism and religiosity to stay in control. This created a huge challenge for any effort to transform its extensive but warped state-owned industries and state welfare provision, further distorted and undermined by corruption and many years of war and sanctions. Since the invasion, Iraq has become a fragmented state – that is, one in which actors dispute where overall political authority lies and in which there are no agreed procedures for resolving such disputes (Herring and Rangwala, 2006) – with myriad power struggles. This has created tremendous problems for efforts to neoliberalise Iraq as there is no coherent state to carry out that project.</Body Text>

While efforts to socialise the Iraqi elite into neoliberalism continue, those actors who control elements of the state and Iraqi governance more generally still have a significant role in interpreting and apply it at national level, and in exercising tactical and strategic judgements about what serves their own interests. Neoliberal ideas and policies have to interact with Iraq’s mix of secular and Islamic beliefs (on Islam and capitalism more generally, see Tripp, 2006). All of this is deeply intertwined with insurgent, sectarian, militia, criminal and Coalition violence so that disruption and instability is widespread. On top of this, the implications of US forces being withdrawn from combat in Iraq, even withdrawn entirely, are potentially dramatic and could lead in a number of different directions. Herbert Docena’s newspaper article, ‘How the US Got its Neoliberal Way in Iraq’ (Docena, 2005), tracked a succession of drafts of the proposed new Iraqi constitution adopted by referendum in October 2005. It showed that the United States had managed to steer it away from initial commitments to state ownership of industry and natural resources,
social justice and comprehensive economic rights and towards neoliberal ideas of privatisation, deregulation, free movement of capital and elimination of state subsidies. The Political Office for the Iraqi Resistance, announced in July 2007 as the political front of some of the largest Iraqi insurgent groups, stated that all agreements and institutions established as a product of the occupation would be repudiated (Milne, 2007). Thus far, relations between the mainly ‘Sunni Arab Awakening’ militias (which in 2007 accepted US arms and money to fight the Islamic State of Iraq) have generally been hostile: there is little sign of an accommodation with the Iraqi state (Spiegel, 2008). Hence the neoliberal constitution put in place in 2005 could be ripped up and replaced. That said, whatever political system emerges from the current conflict will have to interact with a significantly though unevenly neoliberal global economy.

Altogether, the road to a neoliberal Iraq is inevitably distinctive and, due to the characteristics of its situation with violent upheaval under way, particularly uncertain. The two ideal types – welfare system and competition system – have been discussed above in terms of their inclusive dimensions, that is, the ways that society is integrated into them. However, the battles for and between them can also result, intentionally and unintentionally, in exclusions. Mark Duffield argues that the contemporary project of development is now limited to ensuring that populations in the less developed world are mostly required to attempt to be ‘self-reliant in terms of basic economic and welfare needs’, while the developed world generally retains for itself ‘the life-supporting technologies associated with mass society’ (Duffield, 2005: 141, 2007). Similarly, Vanessa Pupavac (2005) argues that development now takes the form of ‘therapeutic governance’ in which the less developed world is assisted in coping with, and policed to enforce its acceptance of, marginalisation from capitalist
production, consumption and welfare. Neil Cooper (2006) provides a complementary critique of ‘chimeric governance’ which claims to be enriching the poor and securing the rich but is actually doing neither. To this can usefully be added the category of bare life (Agamben, 1998). To be reduced to bare life is to be stripped of all rights, even the right and meaning of self-help. A person or group reduced to bare life can be acted upon by others who assert their right to do so without accepting any responsibility to that person or group.

A valuable contribution has been made by these authors in drawing attention to these exclusionary aspects of contemporary capitalism. However, the current operation of capitalism in the less developed world is not reducible always primarily to these exclusions. The fundamental logic of capitalism is the intensification and extension of the monetisation of human relations for the purpose of protecting and promoting profit. Keeping much of humanity marginalised is dysfunctional to that overall logic even if it is functional in particular places and at particular times for fractions of capital and/or elements of the systems of governance of which it is a part. Marginalisation may sometimes be what occurs but it is sub-optimal, and so this creates a systemic incentive to probe for new and profitable inclusions. On some measures Iraq has in the last few years slid towards the bottom of the developmental heap, but the pattern is a mixed one of capitalist inclusion and exclusion.

We need a much better understanding of the paths to inclusion versus exclusion, and hence what can be done to influence them in desirable directions. As a necessary first step, this chapter reframes these ideas of exclusion into an overall picture of the dynamics of contemporary capitalism and explaining major changes in
it and providing ideas around which to map the ebb and flow of these spaces and relations.

The UK, United States, Iraq and Somalia are located at various places in the spheres of welfare, competition, self-help and bare life, and in relation to the degree to which their populations are included in or excluded from contemporary capitalist welfare and competition. Clearly, locating the political economies of particular states at specific points on such a diagram can only be a broad brush first approximation. Furthermore, it does not consider their trajectories over time, and even if the general tendency is towards neoliberal competition, within that various sectors of society will be heading in different directions. Nevertheless, it helps to draw attention to the big picture: to give one simple measure, in 2002 there were almost 300 doctors for every 100,000 US citizens whereas Somalis only had 2, with large numbers of doctors from least to most developed countries (UNCTAD, 2007: 150). The figure for Iraq in mid-2007 was approximately 100 doctors per 100,000 citizens, calculated on the basis of figures in the Brookings Institution’s *Iraq Index* (O’Hanlon, J., 2007: 46).

The United States is the furthest down the road towards a society included in a competition system, with the UK retaining much more in terms of welfare. Iraq too has welfare systems (though of a different sort, such as food rations) but these are reaching the population to only a limited extent and the competition economy is failing to include more than half of the potential Iraqi workforce, as discussed further below. Somalia, the kind of society Duffield, Pupavac and Cooper seem to have in mind, is even further failed by contemporary capitalism, with self-help routine and even larger numbers of people than those in Iraq reduced to mere physical survival. A 2005 UK Department for International Development (DFID)
A study lists 46 low income ‘fragile states’, concentrated mainly in Africa, Southeast Asia and the Pacific, which it defines as ‘those where the government cannot or will not deliver core functions to the majority of its people, including the poor’ (UK DFID, 2005: 7). The word ‘neoliberalism’ is entirely absent from the study, as if the dominant economic ideology could not possibly have been a major factor in the existence of this disastrous exclusion.

Inclusion and exclusion can be measured in four ways. The first measure is the proportion of the population covered by welfare measures or able to participate in the competition economy. All Iraqis are entitled to food rations and fuel prices are subsidised. However, the internally displaced are forced to rely on emergency relief for basic needs, and, with unemployment extremely high, exclusion from the competition economy is the norm, even taking into account the informal economy. In 2007, 80 per cent of Iraqis did not have effective sanitation, 70 per cent did not have regular access to clean water, and 40 per cent lacked access to the Publication Distribution System (PDS) of food and basic cleaning materials (WFP, 2007; WHO, 2007; O’Hanlon, J., 2007: 45–47). Although some estimates of unemployment were much lower, the Iraqi Planning Ministry’s range of 60–70 per cent was confirmed in a poll in February 2007, in which 59 per cent of those of working age said that they were unemployed (35 per cent of men and 84 per cent of women) and 32 per cent said no one in their household was employed (ORB, 2007: 67–68; O’Hanlon, J., 2007: p. 40; IRIN, 2007c).

The UN High Commissioner for Refugees (UNHCR) estimated that, by mid-2007, about 2 million Iraqis had fled the country, mainly to Jordan and Syria and also to Egypt, with another 2 million displaced within Iraq’s borders. Most of the displacement has occurred since the invasion and especially since the 22 February
The second measure of inclusion and exclusion is the extent of that welfare provision, or opportunity to compete, within particular sectors and across them. Since the invasion, there has been a drastic decline in welfare provision despite near-universal formal entitlement across all sectors – health, education, employment protection and pensions. Notable exclusions from employment and pension entitlement have been former senior and often middle and lower ranking Ba’thists. In 2006, 15 per cent of the population were food insecure and in desperate need of a
whole range of humanitarian assistance despite receiving rations through the PDS, and about 20 per cent of children were chronically malnourished. In a move probably being replicated elsewhere, Shi’a tribes in southern Iraq are setting up their own schools to provide free education for 2000 children, due to insecurity and overcrowding caused by families displaced from elsewhere in Iraq (IRIN, 2007a). They are providing armed guards for the schools and wages for teachers, all paid for by donations by local people.

The third relates to the distribution of wealth. The more uneven it is, the more exclusionary it is, whether in relative or absolute terms, because wealth is a prerequisite for effective participation in many activities. The pattern of unequal wealth distribution that existed in pre-invasion Iraq continues, but with important changes in its composition due to new patterns of rampant corruption, incomes increased many times over for some employees and the collapse of the incomes of many others, employed and unemployed. Iraq’s distribution of wealth is more equal than average in the Middle East. In 2004 the richest 20 per cent received 44 per cent of total household income while the poorest 20 per cent received 7 per cent (UNDP, 2005: 150–6). However, this is in a context of extremely low average incomes: nearly 9 million Iraqis (about one-third of the population) are living below the poverty line (cited in IFRC, 2007: 3).

The fourth examines which social groups (class, ethnic, sectarian, gender, racial, political or any others) are formally or informally able or permitted to participate. Routinely, such groups are fluid, cross-cutting and socially constructed. Ethno-sectarian cleansing, displacement by war and de-Ba’thification have all played a role in new inclusions and exclusions.
The turn to sectarian violence in Iraq is not the only factor ensuring that the idea of class, indispensable to materialist understandings of politics, has been obscured and mostly ignored in discussions of the political economy of post-invasion Iraq. The other is the ideology of neoliberalism itself (Harvey, 2005: 201–2). The role of class in Iraq was explored at length by Hanna Batatu (1978) in a landmark study – with class seen as a stratification which was essentially economic and in particular related to inequalities of wealth that generated antagonisms. Such stratifications were, and still are, multidimensional and potentially cross-cutting and can be secondary to other stratifications such as those of sect, ethnicity and tribe. There is space here only to gesture towards the significance of class and its contribution to the current crisis of the neoliberal project in Iraq. For example, in late 2004, an opinion poll found that 65 per cent of Iraqis favoured a large role for the state in the economy and a mere 5 per cent wanted its role reduced, preferences which directly contradicted the actions of the Coalition and its Iraqi appointees. At the same time another poll among Iraqi business people in Baghdad, the mainly Kurdish city of Irbil and the largely Shi’a city of Hilla south of Baghdad, found them to hold remarkably consistent views irrespective of geographical location or ethnic or sectarian differences. The new laws and regulations were supported by 68 per cent as good for their businesses and only 3 per cent thought these would cause their businesses to suffer. The polls also showed the Iraqi business class to be sceptical of the Coalition countries as business partners and providers of security, and to doubt that the political parties that the Coalition propelled to power represented the views of business (Herring and Rangwala, 2006: 233–6). These few points counter the notion of a unified transnational and US-led capitalist elite controlling Iraq. Equally, the fragmentation of political power, including the primacy of local politics since the invasion, has meant that Iraq is a long
way from having a coherent national capitalist class (Herring and Rangwala, 2006: ch.
3). It is fragmented across local, tribal, ethnic, sectarian and international dimensions,
with accommodations and alliances crystallising only sporadically. Furthermore, the
clash between what most Iraqis want and what the business elite want, and the view of
the Iraqi business elite that the Iraqi political elite does not represent it is indicative of
the lack of a legitimised, stable class composition to post-invasion Iraq.</Body Text>

In understanding inclusion and exclusion, the distinction between
insured and uninsured life is helpful, as Duffield (2005, 2007) has emphasised.
Patterns of insurance inequality across states draw our attention to global inequalities,
and patterns of insurance inequality within states highlight the continuing relevance of
class. The population is provided with state-funded health care, education,
unemployment benefit, insurance and pensions in ideal-type welfare systems or have
sufficient income to allow them access to state-regulated private provision in some or
all of these sectors in ideal-type competition systems. In the United States in 2005,
about 15 per cent of the population did not have health insurance (US CB, 2007). The
result of non-insurance is unnecessary deaths, in the region of 18,000 a year (US IoM,
2004). State-subsidised health care in the United States is not intended to provide full
coverage of medical care for those who cannot afford, or have chosen not to take out,
private health insurance. Furthermore, having health care insurance does not
guarantee against crippling medical bills, as the insurance normally covers only some
aspects of health care. About half of those who filed for bankruptcy in the United
States in 2001 did so due to illness and medical bills, even though some 75 per cent of
those medical bankrupts had health insurance (Himmelstein et al., 2005).
Insurance coverage of any kind is almost impossible to secure for most Iraqis because of their extremely low incomes, while Iraq is a lucrative source of income from foreigners for the international insurance industry (BPL Global, 2004). The five Iraqi private and two state insurance companies combined in 2004 to offer insurance which, for a fee of $35 per year, will pay out $3500 (more than twice the average annual salary for the minority who actually have work) for someone killed as a result of the violence (Dreazen, 2005). However, only about 100 of the policies were sold in the first year, and so almost all Iraqis are uninsured against this threat. Many Iraqi academics continue to flee the country for fear of being targeted by insurgents, Islamic fundamentalists, sectarian death squads and kidnap and ransom gangs. In an effort to encourage academics to stay or even return, the Iraqi Ministry of Finance in 2007 began to offer academics funds to hire private bodyguards and life insurance from the State Insurance Company (IRIN, 2007b). Neoliberalised or not, insurance is beyond the reach of most Iraqis.

Clear, hold and build US military bases

The United States claimed to have launched a new effort to address the various economic exclusions of Iraqis as part of its ‘surge’ that began in January 2007, encapsulated in its counterinsurgency slogan ‘clear, hold and build’ (US A&MC, 2006: paras 5.51–89). Much fanfare surrounded the adoption in December 2006 of the new joint US army and marines counterinsurgency manual (US A&MC, 2006) and the appointment of counterinsurgency expert Gen. David Petraeus in January 2007 to commander the Multi-National Force-Iraq (MNF-I). Despite talk about undermining the insurgency and militias by giving Iraqis an economic stake in peace, the economic dimension of peacebuilding and counterinsurgency continues to
come a distant second to the use of force and repression by the United States and its Iraqi allies. For example, in the first four and a half months of 2007, US aircraft dropped 237 bombs and missiles in Iraq, more than double the rate of 2006 (AP, 2007).

The United States points to the completion of various reconstruction projects in Baghdad and its plans for further projects as evidence of an economic element to the surge (Gilmore, 2007; US SIGIR, 2007: 1, 5). However, the additional US funding is tiny – $1 billion to double the number of Provincial Reconstruction Teams (PRTs). In comparison, the United States committed $22 billion of its own, and $37 billion of Iraqi, funds for reconstruction up to 2005, though much of that was wasted, lost through corruption or diverted to security spending (Herring and Rangwala, 2006: 241–5). The PRTs up to the surge had been severely hampered in their work by security problems, staff shortages and lack of cooperation between US institutions (US SIGIR, 2006). The new PRTs, the key actors in promoting the US role in economic peacebuilding outside Baghdad, had made a little progress by mid-2007 but nothing that would have a serious impact on giving Iraqis an economic stake in peace (US SIGIR, 2007: 1, 5–6). Meanwhile, the few economic gains made from the previous commitment of vastly larger funds were seeping away. In Spring 2007, the US Special Inspector General for Iraq (SIGIR) found that, in seven out of nine reconstruction projects it assessed, the buildings and equipment involved were being run unsustainably, mainly due to lack of maintenance and spare parts (US SIGIR, 2007: 8).

In June 2007, the US military announced what it called the Iraq-Based Industrial Zone (I-BIZ) programme to build fortified, walled zones outside its bases to service them. With the aim of encouraging Iraqis to give up violence, these were to be
Iraqi and not US or other foreign businesses (AFP, 2007b). The model up to that point had been to have its bases serviced by the huge US Halliburton subsidiary, Kellogg, Brown and Root, which then brought in thousands of foreign, mainly South Asian, workers. The pilot programme was operational for two years near the Polish base of Camp Echo at Diwaniyah in al-Qadisyah province, halfway between Baghdad and Basra. The first formal zone was planned for the vast Camp Victory base at Baghdad airport, with others to be built at Camp Speicher near Tikrit, Camp Taji north of Baghdad and at Talil near Nasiriyah in Dhi Qar province north of Basra. The United States has pressed on with building these ‘enduring’ bases despite overwhelming Iraqi opposition. Few Iraqis would want an economic stake in these bases, and instead of being a contribution to peacebuilding they will be what one might call ‘mortar magnets’, attracting continual attack. The US hope is to connect its base-building with its Department of Defense Business Transformation task force to revive Iraq’s state-owned industries (Conservative Voice, 2007). However, almost no progress had been made when, in July 2007, the Ministry of Industry and Minerals reported that only 10 of the country’s 200 state-owned major industries were operational at all, and that 60 per cent of these were almost idle. It reported that all plans to revive them had failed and that the Ministry of Finance had refused grants or even loans to help revive them, and it has repeatedly extended ‘deadlines’ for foreign investment (Azzaman, 2007). In contrast, Iraq’s war economy is flourishing.

**Flexible and structural economies of war and peace**

In addition to such policies as industrial zones linked to US military bases, efforts to create a political economy of peace in Iraq include negative efforts in the sense of identifying and shutting down the insurgent and militia war economy –
that is, the means used by groups to raise money to fight the existing Iraqi
government, its US-led Coalition backers or each other. Prominent among these
means are oil smuggling, the informal economy more generally, extortion,
kidnapping, misappropriation of state revenues, donations by the Islamic faithful and
diasporas and the incomes derived from the day jobs of part-time fighters. As outlined
above, the US surge also includes some efforts to give people and groups an
economic stake in peace. Where this economic activity could in broad terms continue,
even if war became peace, it can be termed flexible or adaptable. A war economy can
be thought of in a more restrictive and demanding sense, as a situation in which the
economic base of elites and the livelihoods of ordinary people depend on the
continuation of armed conflict, and in which they do not have an alternative means of
making a living. This is a structural or rigid political economy of war. Targeting
insurgent and militia funds has been advocated by Keith Crane, a senior economist at
the RAND Corporation think-tank who worked for the Coalition Provisional
Authority (CPA) in 2003 (Crane, 2007). However, the financial bases of those
fighting the Coalition, the Iraqi government and other Iraqi non-state actors are
diverse and robust (Burns and Semple, 2006; Parker and Moore, 2007). This is partly
because of the phenomenon of ‘embedded insurgents’ – those officially employed by
the Iraqi state, including its security forces, but who are actually members or
supporters of insurgent and militia groups (Herring and Rangwala, 2006: 195,
197).

The notion that there could be a liberal war economy is an area of
almost complete silence in the liberal peacebuilding literature. When considered at all,
it is treated as deviant or marginal, the work of local and international criminals in the
black or informal economy, laundering funds and goods into the formal economy. In
contrast, the liberal war economy is well understood in some strands of critical thought, most explicitly in older writings focused on the notion of a military–industrial complex and the permanent war economy and also in more recent writings on war as central to globalisation (Barkawi, 2006; Melman, 1974). The financial base of the US war economy in relation to Iraq is vastly larger than that of its armed opponents. The United States was spending $10 billion per month on the war in Iraq, with $450 billion to be spent by the end of the financial year in September 2007 (US CRS, 2007).

The United States has a structural war economy in that cuts in military expenditure would have major consequences for related political actors, corporations and civilian and military personnel employed in them, leading some to see this as so entrenched as to be a permanent war economy (Melman, 2003). Whether or not this is accurate, the structural war economy is not one that particularly requires the United States to keep fighting in Iraq, where US military personnel and equipment are under severe strain. Military spending could be kept at the same levels and reallocated. Nor does access to Iraqi oil require the United States to keep fighting – even if the oil remains in the state hands, Iraq will need to sell it on the international market. Instead, the United States wants to ensure that the future of Iraqi oil is a neoliberal one. The Iraqi government that the United States relies on to ensure the passage of unpopular neoliberalising oil legislation is elected, but tottering and fragmented. It survives only because of the US military presence, despite the $19 billion spent by the United States on training 346,500 personnel in the Iraqi security forces (US GAO, 2007a; US HR CAS, 2007).
Prioritising the neoliberalisation of oil over peacebuilding

The oil issue epitomises the conflict between neoliberalism and peacebuilding in Iraq, and US prioritisation of the former. The Bush administration, mandated by Congress, requires the Iraqi government to pass legislation on the oil industry as one of its benchmarks of progress. Many US officials (including President Bush himself) have represented the law approved by the Iraqi government early in 2007 and submitted to parliament for approval in July 2007 as being aimed at ensuring the equitable sharing of oil revenues among the Iraqi people (Lando, 2007b). In fact, this hydrocarbon law would regulate the development of existing and new oil fields and in particular set out the relationship between central and regional governments and the roles that foreign companies will be allowed to play. The revenue sharing law on ownership of Iraq’s oil and gas resources and distribution of the revenues is even further from being finalised, and other related laws are still to be drafted (US GAO, 2007b).

The underlying trend in the draft legislation is to weaken the role of the central government in relation to regions, open space for privatisation and limit Iraq’s control over foreign oil companies (Jarrar, 2007; Visser, 2007). Possible provisions are for foreign oil companies to decide production levels, be represented within state institutions, have exclusive decades-long rights to specified oil fields that shut out the Iraqi nationalised oil industry and have limitations on taxation of their profits. The terms may end up being far more favourable to foreign oil companies than is normal in comparison with other oil producers. They may also lock future Iraqi governments legally into that position, with disputes decided not nationally but by binding international arbitration. Meanwhile, the Kurdish Regional Government (KRG) has been unilaterally doing deals with foreign oil companies, and exploration...
is already under way. The KRG sought to formalise this in August 2007 when its parliament passed its own hydrocarbon law which put up 40 exploration blocs for tender (Howard, 2007). In addition, the Iraqi parliament passed a law in July 2007 to allow domestic and foreign companies to build refineries in Iraq while still retaining the existing state-owned refineries, at least for a time (Lando, 2007c). Both of these steps show that piecemeal oil privatisation is under way.

The laws are being written in secret with the US government and oil companies intimately involved and the Iraqi oil unions and public completely excluded (Jarrar, 2007). When the Iraqi Federation of Oil Unions (IFOU) threatened to strike unless it was allowed to participate, the Iraqi Minister for Oil, Hussein al-Shahristani, asserted that Iraq’s oil unions had no right to a say in the legislation because they were unelected and illegal: the latter point is a reference to a law from the Ba’thist era from 1987 which banned unions from public enterprises (Lando, 2007e). During the period of formal occupation, the US-led CPA endorsed this law, refused to talk to the unions when it drafted new labour laws and was actively hostile to the unions (Herring and Rangwala, 2006: 228). In July 2007, the Oil Ministry formally issued a legal notice banning all cooperation with the Iraqi oil unions (Al-Ghad, 2007). Meanwhile, oil workers faced a pay cut due to the cancellation of regular bonuses by the Iraq Pipelines Company. When the oil workers in southern Iraq responded by striking, Iraqi troops surrounded the workers and warrants were issued for the arrest of the union leaders for ‘sabotaging the economy’ (quoted in Lando, 2007a).

The United States claims that the oil legislation is an urgently needed element of national reconciliation and is vital for raising investment funds to modernise the Iraqi oil industry. In reality, the effort to push through the legislation is
proving politically divisive and Iraq is not short of investment funds – as of December 2006, Iraq had spent only 3 per cent of its oil sector capital project funds (US GAO, 2007c: 14). Over a hundred Iraqi experts on oil, economic and legal issues wrote to parliament asking it not to pass the hydrocarbon law on the grounds that a stronger role was needed for central government than the law allowed for, and that there was no need for a hydrocarbon law until constitutional issues in relation to revenue sharing were resolved (Lando, 2007d). A country-wide opinion poll conducted in July 2007 found that 63 per cent of Iraqis (32 per cent strongly) preferred Iraq’s oil to be developed and produced by Iraqi state-owned companies. Only 31 per cent (10 per cent strongly) preferred foreign companies to have that role; 91 per cent thought that the Iraqi government had supplied them with no, not very much or a little information on the hydrocarbon law and 76 per cent did not feel adequately informed about it (Davidson, 2007). There were differences of emphasis but no basic disagreement across region, ethnicity and sect. Correspondingly, support grew in parliament for the view that no oil legislation should be passed until US forces had left.</Body Text>

<Heading 1>Conclusion</Heading 1>

<First line>Contemporary peacebuilding is primarily an instrument of global liberal governance, counterinsurgency and neoliberalism. In this process, a significant portion of the world’s population have to rely for their survival predominantly and often unsuccessfully on what few resources they have outside of state welfare and outside of competitive integration into the wider economy. Some have been stripped, formally or practically, of all the rights associated with social being. Millions of Iraqis have joined the excluded. The United States has led a drive to open up the Iraqi economy, and there is a growing internalisation of neoliberalism among the Iraqi
political and business elites despite the clear preference among the Iraqi public for a welfare state. Economic reconstruction has stalled due to corruption, reliance on mainly US-based multinational corporations which the US government has been reluctant to regulate effectively and most of all due to insurgents and militias. However, neoliberalisation is still proceeding at arm’s length, via Iraq’s integration into the institutions of global governance and the push for related legislation (Herring and Rangwala, 2006: esp. ch. 5).

What is good for neoliberalism can be good for dominant interests in the United States but Iraq’s armed opposition sharpened the contradictions between them painfully (Stokes, 2005). The US government increasingly urgently perceives state provision of jobs and welfare as economically necessary for countering that opposition. This was symbolised early in 2007 by a new programme to revive state-owned industries rather than privatising them or leaving them to rot (Negus, 2007). It is no coincidence that this effort is being managed by the US Department of Defense rather than a civilian branch of government. Ironically, the new policy accentuates a contradiction between the United States and its Shi’a allies in the Iraqi state apparatus, some of whom shun the state-owned industries as hangovers of the era of Ba’thism. Such pragmatic compromises are not new in US policy in Iraq, as evidenced by the PDS and continued, albeit reduced, state subsidies for fertilisers, pesticides and fuel. However, the overall trend has been a negative one for neoliberalism in Iraq, especially when compared with the high point of grand declarations of intent in mid-2003 (Herring and Rangwala, 2006: 215, 222–5).

This does not mean that the attempt to neoliberalise Iraq is over or even suspended. It is still being implemented at various levels (e.g. in keeping business taxation low and regressive, as decreed by the CPA during the period of
formal occupation) and is likely to reassert itself strongly as opportunities arise. It is being implemented at huge and unevenly distributed cost in the United States. The cost to the US government of the war in Iraq thus far has been calculated at $3 trillion (Stiglitz and Bilmes, 2008). Furthermore, whatever the constellation of forces that make up Iraq’s government and broader governance, the continuing question of how to engage with an increasingly neoliberal global economy remains. The conflict between US-led neoliberalism and democratic peacebuilding is at its most stark in the case of oil. Instead of being the indispensable base of peacebuilding, the Iraqi public are being shut out, and the Iraqi trade unions – the most vigorous organised section of non-sectarian, non-violent Iraqi civil society – are being branded criminal and threatened by soldiers. Nevertheless, the content of the main pieces of oil legislation is in flux, important aspects have been left vague and the ability and will of the United States and its allies in the Iraqi government to enforce acceptance of its provisions is uncertain. From this, it can be seen that the crisis of neoliberalism in Iraq is not a one-off event but a dialectical, dynamic and contingent process. There are, therefore, ‘spaces of hope’ (Harvey, 2000, 2005: ch. 7) for inclusive and democratic peacebuilding in Iraq: neoliberalism is not an unstoppable force. The most notable of these are Iraq’s free, non-violent and non-sectarian trade union movement; the support that its views and approach have among the Iraqi public; the many concessions made by the advocates of neoliberalism; and the consistent support among most Iraqis for a non-sectarian, democratic Iraqi state with a strong central government and control of its natural resources (ORB, 2007). Furthermore, these Iraqi struggles are connected to the worldwide and multi-faceted movement challenging neoliberalism (Harvey, 2007: ch. 7). Unmasked for what it is – fanatical capitalism – the legitimization it needs to maintain and extend its reach cannot be attained.</Body Text>
<References>AFP (Agence France Presse), 2007a, ‘Only 133 Iraqi Refugees Allowed in US so Far This Year’, 9 July.</References>

<References>AFP, 2007b, ‘Zones For Iraqi Industry to Support US Military’, 5 June.</References>


<References>Al Ghad (Amman), 2007, ‘How To Ban a Union’, 7 August.</References>


<References>Azzaman (London), 2007, ‘60% of State Industries Idle’, 13 July.</References>

<References>Barkawi, Tarak, 2006, Globalization and War, Lanham, MD: Rowman & Littlefield.</References>


<References>Docena, Herbert, 2005, ‘How the US Got its Neoliberal Way in Iraq’, <i>Asia Times</i> (at: www.atimes.com), 1 September.</References>


<References>EPIC (Education for Peace in Iraq Center), 2007, 2007b, ‘National Groups Join With EPIC in Calling for Humanitarian, Economic Surge to Help End Iraq War’, 24 July.</References>


<References>Harvey, David, 2000, Spaces of Hope, Edinburgh: Edinburgh University Press.</References>


<References>Harvey, David, 2005, A Brief History of Neoliberalism, Oxford: Oxford University Press.</References>

<References>Herring, Eric and Glen Rangwala, 2006, Iraq in Fragments: The Occupation and its Legacy, London: Hurst.</References>

<References>Himmelstein, David U., Elizabeth Warren, Deborah Thorne and Steffie Woolhandler, ‘Marketwatch: Illness and Injury as Contributors to Bankruptcy’, Health Affairs (Bethesda, MD), 2 February.</References>


<References>IFRC (International Federation of Red Cross and Red Crescent Societies), 2007, ‘Iraq: Response to Humanitarian Crisis’, 18 June.</References>

<References>IRIN (Integrated Regional Information Networks), 2007a, ‘Iraq: Local Tribes in South Set Up Schools’, ReliefWeb, 4 June.</References>

<References>IRIN, 2007b, ‘Iraq: Ministry to Insure and Protect Professors’, 12 July.</References>
<References>IRIN, 2007c, ‘Iraq: Jobs Fair Aims To Reduce Unemployment, Insurgency’, 10 July.</References>

<References>IRIN, 2007d, ‘Iraq: Number of IDPs Tops One Million, Says Iraqi Red Crescent’, 9 July.</References>


<References>Jessop, Bob, 2003, ‘Globalization and the National State’, unpublished paper, Department of Sociology, University of Lancaster, 5 December.</References>

<References>Lando, Ben, 2007a, ‘Oil Strikers Met by Iraqi Troops’, United Press International (UPI), 6 June.</References>

<References>Lando, Ben, 2007b, ‘US Ignorant on Iraq Oil Law’, UPI, 14 June.</References>

<References>Lando, Ben, 2007c, ‘Iraq Oil Refineries Go Private’, UPI, 25 July.</References>

<References>Lando, Ben, 2007d, ‘108 Iraq Experts Call for Oil Law Change’, UPI, 18 July.</References>

<References>Lando, Ben, 2007e, ‘Shahristani: Iraq Oil Unions Not Legit’, UPI, 26 July.</References>


<References>Reuters, 2008, ‘Red Crescent Says 46,000 Refugees Return Iraq End 2007’, 8 January. </References>


UK DFID (Department for International Development), 2005, *Why We Need to Work More Effectively in Fragile States*.

UNCTAD (UN Conference on Trade and Development), 2007, *The Least Developed Countries Report*.


<References>US GAO, 2007b, *Rebuilding Iraq: Serious Challenges Impair Efforts to Restore Iraq’s Oil Sector and Enact Hydrocarbon Legislation*, 18 July.</References>


<References>USIP (Institute of Peace), 2005, ‘Institute Focuses on Iraq’, 15 December.</References>

<References>US SIGIR (Special Inspector General for Iraq Reconstruction), 2006, *Status of the Provincial Reconstruction Team in Iraq*, 29 October.</References>

<References>US SIGIR, 2007, *Moving Beyond the IRRF*, 30 April.</References>


<References>WHO (World Health Organisation), 2007, ‘Violence Threatens Health in Iraq’, 17 April.</References>