

# Iraq, Imperialism and Global Governance

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*ABSTRACT* *The Iraqi state is not representing Iraq in a globalising world: it is representing the globalising world in Iraq. The fact that the USA physically occupied Iraq, installed a government and passed a raft of legislation by decree might suggest almost total US dominance over broader globalising forces and thus that the Iraqi state is almost solely an instrument of US empire. Certainly, Iraq's imperial globalisation from above is not primarily decentred in terms of the actors involved or the interests served: US actors and interests are at the forefront. However, other actors have played a significant role, and the actions of the US agents have tended to favour US political power and the US-based fraction of capital less than the fact of occupation would suggest. Furthermore, this advantage has declined over time. In addition, there is a second force for decentred globalisation in Iraq, namely, globalisation from below by means of the workings of the transborder informal economy. Many but not all of the activities of this informal economy are closely related to the insurgency. The interaction of all these forces is generating sometimes competing and sometimes mutually reinforcing effects, and these effects are highly contingent and continue to be contested.*

What has been the relationship between the Iraqi state, on the one hand, and globalising processes and actors, on the other, after the dissolution of the US-dominated Coalition Provisional Authority (CPA) and the installation by the Coalition of the Iraqi Interim Government on 28 June 2004? Most of the debate has focused on a traditionally liberal theme of the locus of sovereignty, that is, final authority exercised effectively and legally by a discrete state apparatus over a bounded territory and citizenry. From this perspective the debate is over the extent to which the Iraqi state has become sovereign. The first position is that the Iraqi state is now *fully sovereign*, as it has had sovereignty transferred to it by an external body, and thus the acts of its government are contingent solely upon the decisions of Iraqis. The second position is that Iraq is *incompletely but potentially sovereign*: the Interim Government remains hemmed in by the restrictions imposed upon it by external powers and by its own limited abilities, both of which are obstacles that can be alleviated through the process of state building and the exclusion

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of external actors. The third position is that the Iraqi state, like all modern states, will attain at most a *permanently diluted sovereignty*, with its governance shared with benign cosmopolitan forces in a non-hierarchical, globalised network of political institutions.

In this article we argue that the Iraqi state is in many ways not an instrument to represent the sovereign will of the people of Iraq. Instead, the Iraqi state is being reconstituted from above and below to represent a variety of globalising agendas and enforce them in Iraq. The Iraqi state is not representing Iraq in a globalising world: it is representing the globalising world in Iraq. To understand the process of how the Iraqi state is being reconstituted, we draw on literature which considers the relationships between national, international and transnational capital; the institutions of global neoliberalism; and the role of the USA as empire. At one end of the spectrum imperial globalisation is seen as being effectively a *decentred* form of global governance with the US as a state and US capital having lost their leading role.<sup>1</sup> The forces of globalisation are thus arranged hierarchically with regard to the states, economies and societies that they are reconstituting but not hierarchically in relation to each other. Decentred globalisation may be *international* (involving multiple states as the dominant actors) or *transnational* (involving a deterritorialised class which rules by means of states and other institutions). At the other end of the spectrum, globalisation is seen as *US-dominated*.<sup>2</sup> In both cases global governance is not counterposed to imperialism as it is in liberal conceptions of world politics: global governance in its current form is an expression of imperialism, defined in the contemporary period as the formal and informal practices which sustain rule on behalf of capital. While higher living standards and liberal democracy can be functional for capital and can thus be compatible with and encouraged by rule on behalf of capital, where these are perceived to challenge rule on behalf of capital, higher living standards and liberal democracy will be sacrificed if politically feasible. We explore these issues in a number of steps. First, we elaborate upon our critique of the sovereignty debate *per se* and as it relates to Iraq. Second, we assess the management of Iraq reconstruction funds and Iraq's debt and compensation burdens in terms of decentred or US-dominated imperial globalisation from above. Third, we consider the ways in which the transborder informal economy produces effects which work for and against imperial globalisation. Finally, we conclude with a series of observations about the current and highly contingent imperial globalisation of the Iraqi state.

### **The poverty of the sovereignty debate**

Iraq's political trajectory has been mapped and evaluated usually by making the location of Iraqi sovereignty the focus of discussion and inquiry. Coalition governments and agencies have extensively asserted the notion of a transfer of sovereignty in their major statements on the establishment of the Interim Government, the subsequent handing over of power to it, and the accompanying dissolution of the CPA in June 2004. Thus the *Historic Review*

of *CPA Accomplishments*, the end-of-project report, begins: ‘On June 30, 2004 Iraq will again become a fully sovereign nation. When this occurs, the Coalition Provisional Authority. . . will have achieved its primary goal, and will cease to exist.’<sup>3</sup> After the formal hand-over, Coalition military and civilian personnel may be assisting the Iraqi government in fulfilling many of its domestic functions, but they are there by virtue of the invitation of the sovereign Iraqi government, which acts as the ultimate decision maker. This conception of a hand-over of sovereignty relies upon the change in the legal status of Iraq, a change that relies solely upon a series of formal enactments: Security Council Resolution (SCR) 1546 that proclaimed that ‘Iraq will reassert its full sovereignty’ upon the hand-over,<sup>4</sup> and a subsequent hurried ceremony in Baghdad.

In contrast, from the gradualist liberal perspective, sovereignty has been incompletely transferred to the Iraqi government. In the international political realm the deliberations that accompanied the negotiation of SCR 1546 hinged on the extent to which the Iraqi government would have to give authorisation for particular armed actions by the Coalition military inside Iraq. Considerable attention was focused on the extent to which the CPA had limited Iraqi sovereignty by leaving behind a series of orders in the tax, banking and media spheres among others, and by creating a set of regulatory institutions that the Iraqi government would not be entitled to dissolve while still in its interim and transitional phases.<sup>5</sup> Full sovereignty, from this perspective, will only return when the Iraqi government has the authority to annul the orders and dissolve the institutions that are a legacy of the occupation. These powers will have been fully restored once a constitution has been ratified and a new Iraqi government elected under it. A stronger version of this argument is adopted by those Iraqis who have taken an oppositional nationalist stance: the hand-over was a façade, real political power remains with the US authorities, and real sovereignty will only return to Iraqis once the US military and political presence departs from the country.

A more developed variant of the gradualist liberal perspective is Toby Dodge’s application to Iraq of a standard approach which he draws from the work of Stephen Krasner. Sovereignty, he states, has three ‘constituent parts’: international legal sovereignty, Westphalian sovereignty and domestic sovereignty.<sup>6</sup> He concludes that Iraq is ‘unambiguously’ sovereign under international law, involving ‘the recognition of a specific state as an independent and legal entity in international diplomacy’. As far as Westphalian sovereignty—the state’s ability to exclude external actors from interfering with its capacity to rule within a particular territory—is concerned, he concludes that there is no serious external challenge to Iraq’s territorial integrity but that the Iraqi government was not able to ‘exclude external actors from interfering with its capacity to rule over its population’. With regard to internal sovereignty—the ability of the Iraqi government to ensure its effective political authority among the population throughout its territory—he suggests that the CPA had failed to achieve this and so it had decided to ‘delegate power’ to the Interim Government, which may ‘gain

acceptance and legitimacy from the Iraqi people' since it has 'Iraqis heading the government'. A similar distinction is made by the Council on Foreign Relations, the leading US think-tank on international affairs, in their backgrounder on Iraqi sovereignty: Iraq has 'legal sovereignty' and 'international political sovereignty' (corresponding to Krasner's first two categories), but lacks full 'de facto sovereignty'. This last aspect of Iraqi sovereignty is represented as being 'severely curtailed by the continuing presence of 138 000 US forces in Iraq and the inability of the new Iraqi government to defend itself against armed challenges'.<sup>7</sup>

This gradualist liberal framing, which assumes that self-contained mechanisms of rule are both possible and legitimising and should be developed further, is challenged by liberal cosmopolitans, who argue that globalisation displaces and fractures the modern state as a site of political authority: Iraq is but one particularly stark example of a global transformation. The Iraqi government, according to this view, may still be considered 'sovereign', but it governs in partnership. Thus, transnational and international organisations participate fully alongside the Iraqi state in a multi-layered system of essentially benign governance. Some liberal cosmopolitans have embraced the word 'empire' and insist that US empire is progressive in bringing liberal democracy and freer movement of labour and capital.<sup>8</sup> Other liberal cosmopolitans are deeply uncomfortable with the word empire and the role of the USA. Mary Kaldor manages to survey the evolution of war and governance since the 17th century without mentioning imperialism or empire even once, and has very little to say about the USA.<sup>9</sup> In discussing Iraq, she criticises what she portrays as the British neocolonial preference for doing deals with Iraqi sectional interests and the US neoconservative preference for sweeping all aside in pursuit of their ambitions.<sup>10</sup> Against this, she asserts the need to 'hand over sovereignty to Iraqis', to develop real indigenous 'democratic self-rule' and to locate this within global civil society.

The problem with the liberal cosmopolitan perspective on Iraq is that it overplays sovereignty while misconceiving the role of the state. It asks which capacities remain within the sphere of responsibility of the Iraqi state, and which capacities have been adopted or captured by external and international actors. It thus draws its explanatory potential from a distinction between the role of the state and that of new forces arising out of globalisation. In fact, the apparatus of the Iraqi state itself has been reconstituted to incorporate globalising elements within its structure, including in central decision-making roles, and these constituent elements have been retained largely intact after the formal end of occupation. This is most apparent in the nature of the leading personnel, most of whom are part of a transnational elite. Nearly all leading members of the Interim Government, with the exception of some of its Kurdish members, have lived for substantial parts of their adult life in Western Europe or the USA, and have been socialised into political life in those countries.<sup>11</sup> Their political base thus lies largely outside Iraq, and is often closely entwined with non-Iraqi political agents and organisations in the USA or UK. These individuals were installed by international intervention and the core of their political role has been in channelling

international and external power into the Iraqi social arena. Moreover, this power has been crucial in sustaining the Iraqi state after the invasion: without external inputs, the state and its personnel would have largely vanished through the consequences of war and the subsequent insurgency.

The globalising processes which are constituting the Iraqi state from above can be seen clearly in the structure and operation of the institutions established to manage the financial resources for security, reconstruction and the overall budget in Iraq. In the next section of this article, we explore the connections between US-dominated and decentred imperial globalisation in relation to the management of US tax appropriations, Iraqi funds, international funds and Iraq's debt and war compensation burdens.

### **Reconstruction funds and debt as motors of imperial globalisation**

Formally the co-ordination of all international (including US) assistance during and after the formal occupation has been led by Iraqis via the Iraqi Strategic Review Board, the Ministry of Planning and Development Co-operation and the Council for International Co-ordination.<sup>12</sup> The Iraqi Strategic Review Board has responsibility for approving and ensuring proper prioritisation and monitoring of international assistance. Chaired by the Minister of Planning and Development Co-operation, it was composed before June 2004 of Iraq ministry officials, two representatives of the Iraqi Governing Council (IGC) and one CPA representative. The Ministry of Planning and Development Co-ordination is responsible for co-ordinating reconstruction, working with other Iraqi ministries and the CPA's Programme Management Office (PMO) which managed US-funded contracts and, after the transfer of formal sovereignty, its replacement the Project and Contracting Office (PCO). The Council for International Co-ordination is chaired by the Minister of Planning and Development Co-operation and has members from over 23 countries involved in Iraq reconstruction. International tensions over the invasion and occupation are reflected in the fact that, although, according to the US General Accounting Office, this is the main point of contact between US representatives in Iraq and other international donors, it is an information-sharing rather than decision-making body. The characterisation of this system by the Coalition as 'Iraqi-led' ignores the fact that all the Iraqis on these bodies are Coalition appointees and ignores the globalising function of these appointees in decision making.

A more significant role was played by the CPA's Programme Review Board (PRB) which was established in June 2003 by CPA Regulation 3 to recommend allocations of US and Iraqi funds and funding plans prior to final approval by the CPA Administrator, Paul Bremer.<sup>13</sup> The PRB's voting membership was composed of a CPA chair; the CPA economic policy, civil affairs policy, operations and security policy directors; and the director of the US Agency for International Development (USAID) Iraq. Additional voting *ex officio* members were representatives of the Commander of Coalition Forces; the US Departments of Treasury, Defense and State; the UK; Australia; the Chairman of the International Co-ordination Council; and the Iraqi Ministry

of Finance. The PRB also had the CPA Comptroller; CPA General Counsel; the Programme Co-ordinator of the Board; and representatives of the US Office of Management and Budget, the US Office of the Secretary of Defense, the IMF and the World Bank as non-voting members. The Special Representative for Iraq of the UN Secretary General and a representative of the International Advisory and Monitoring Board were permitted to attend as observers. Hence the total Iraqi voting membership was one US-appointed person.

Equally, it is important not to see the involvement of Iraqis solely as window-dressing: they are institutionalising, internalising and consolidating the norms and policies of the US and global neoliberal governance into the Iraqi state. This can be seen in more depth by an examination of the management of the three main categories of capital for use in security, reconstruction and debt servicing in Iraq—US appropriations, Iraqi revenues and international funds managed through the UN and World Bank. While it would be very easy to portray the reconstruction process as involving US actors in control of a system which transfers US tax dollars and Iraqi revenues back to US corporations in a simple hierarchical fashion, this would be to lose sight of its important decentred globalising dimensions.

The management of \$18.4 billion of US appropriations gives the USA major advantages in its attempts to shape the globalisation of the Iraqi state towards US priorities and US-led capital and pro-US actors. In December 2003 the Department of Defense issued an order, signed by Deputy Secretary of Defense Paul Wolfowitz, which denied countries which had not been part of the Coalition the right to bid to become prime contractors in the award of US funds.<sup>14</sup> The PMO/PCO worked within parameters set by the Appropriations Committees of both the US Senate and US House of Representatives.<sup>15</sup> Another major actor has been the US Department of Commerce, which runs an Iraq Investment and Reconstruction Task Force (IIRTF) to assist US-based companies seeking reconstruction and other business contracts in Iraq.<sup>16</sup> The PMO reported to the CPA, which in turn was mainly responsible to the Department of Defense. The hand-over of June 2004 actually marked a substantial and disruptive shift in power and personnel from the US Department of Defense to the Department of State, in the shape of USAID, its foreign aid arm, and the Iraq Reconstruction Management Office within the US Embassy in Baghdad, headed by John Negroponte. The PCO reports to the State Department and the US Embassy in Baghdad in relation to setting priorities and requirements and to the Departments of Army and Defense in relation to contracting and programme management.<sup>17</sup> A review led by Negroponte resulted in a substantial reallocation of funds, including a shift away from basic services to the security sector and job creation, which then had to be approved by the two congressional appropriations committees.<sup>18</sup> US corporate actors are so deeply involved with the process that they cannot be regarded as simply subordinate to US governmental ones: the PCO itself described the system as a 'hybrid public-private model'.<sup>19</sup> Formally on the top layer is 'the ownership', defined as 'the people of the United States', an ownership which is of course symbolic rather than operational.<sup>20</sup> The next

layer down is the overall programme management of over 2000 projects, headed by an American as Director, and with a support office provided by management services company AECOM which is based in Los Angeles. The third layer is sectoral programme management, all headed by Americans, and the bottom layer the sectoral prime contractor or contractors, again with head offices in the USA.<sup>21</sup>

The 'design and build' contractors for each sector are Parsons Delaware of California for buildings, education, health, security and justice; Kellogg, Brown & Root (a subsidiary of Halliburton) of Texas for oil; a joint venture led by Contrack International of Virginia for transportation; Lucent Technologies of New Jersey for communications; Washington Group International of Idaho for electricity and water; and Perini of Massachusetts for electricity. Out of 59 prime contracts awarded from US appropriations in the 2004 financial year up to November 2004, 48 (more than 80%) went to US companies.<sup>22</sup> Several of the remaining 11 contracts were with firms in which US capital had a significant stake, including three with Fluor AMEC, a US–UK joint venture, and one US–Jordanian joint venture, ANHAM. The remaining prime contracts were allocated to Italian, Israeli, Jordanian, Australian, British and Iraqi companies.

This degree of US control of the \$18.4 billion does not sit well with the description of it by the PCO as 'a gift...from the American people to the people of Iraq'.<sup>23</sup> However, nor is it simply a gift from the American people to US corporations and back to their shareholders and the American people they employ. This sort of perspective is implied by Iraq Revenue Watch in its observations on Iraq's own resources in the Development Fund for Iraq:

the CPA awarded US firms 74 percent of the value of the total \$1.5 billion in contracts paid from Iraqi funds. When British firms are added to the equation, US and UK companies wind up receiving 85 percent of the value of contracts paid for from Iraqi funds.<sup>24</sup>

Although Parsons operates in 46 US states, it also operates in 37 countries other than the USA.<sup>25</sup> Hence it may be that a substantial amount of the funding is going to branches of the firm in other countries: in other words, global, non-US capital may be benefiting. Furthermore, the order banning bids for prime contracts from companies based in non-Coalition countries was rescinded in summer 2004 and never prevented Coalition prime contractors from using non-US and non-Coalition foreign subcontractors. In September 2004 the PCO claimed to have 76 699 'affiliated' Iraqi employees and 310 Iraqi firms working on reconstruction.<sup>26</sup> Parsons' Iraq infrastructure project is headed by Bechtel of California, and supported by Horne Engineering Services of Virginia, and its implementation plan is co-ordinated with USAID. Parsons has on its team three British companies and it has a commitment to using at least 80% Iraqi labour, purchasing Iraqi materials and equipment where possible and training at least 400 Iraqis for professional and management positions. Parsons' \$33.8 million Taji Military Base reconstruction project near Baghdad is virtually complete and used 98% Iraqi labour (2500 people).<sup>27</sup> Bechtel has an outreach programme to

Iraqi subcontractors, with simplified documentation, presentations to Iraqi business associations, translation into Arabic of necessary documentation, waiving insurance requirements, advancing interest-free capital, providing banking services and professional training (including establishing a joint training programme with Baghdad University).<sup>28</sup> By late September 2004 Bechtel had awarded 160 out of 230 subcontracts to 120 different Iraqi companies, had employed more than 40 000 Iraqis and had registered on its supplier and contractor portal over 10 000 companies from 100 countries.<sup>29</sup> Capital is in the business of protecting and extending profit, and therefore has an interest in extending its penetration as far and as quickly as possible in Iraq and in connecting Iraq to its global network rather than merely spending money on expensive US-based employees, although such short-termism and bias against Iraqis is certainly widely believed to have occurred.<sup>30</sup>

The picture of an imperial globalising process, with the US in the primary but not exclusive position is most strongly suggested by an examination of the handling of Iraq's own revenues, except where revenues for the UN Compensation Fund are concerned. The Development Fund for Iraq (DFI) holds funds from Iraqi oil exports, leftover funds from the UN Oil-for-Food programme raised by Iraqi oil exports in the period of sanctions, and income from subsequent Iraqi oil exports and previously frozen Iraqi accounts in at least 10 countries or held by the Bank for International Settlements.<sup>31</sup> Five percent of the revenues from this fund continue to go to the UN Compensation Fund in accordance with SCR 687 (1991) and SCR 1483 (2003) for those individuals, corporations and governments which incurred losses as a result of Iraq's invasion of Kuwait in 1991. The award of claims is decided by the UN Compensation Commission (UNCC), which is a subsidiary organ of the UN Security Council, and the composition of its membership reflects this.<sup>32</sup> It is often pointed out that Iraq has only been allowed to make very limited representations to the Compensation Commission, but the bigger point is that the Iraqi state functions to enforce compensation demands on Iraqi society. The remaining 95% of DFI funds was controlled by the CPA's Programme Review Board (PRB). After the transfer of formal sovereignty, the PRB transferred to the US Embassy in Baghdad. New and unallocated funds from the DFI formally came under the control of the Iraqi Interim Government, while contracts for which DFI funds had already been allocated continued to be managed by the USA.

In order to provide audit oversight of the DFI, the International Advisory and Monitoring Board (IAMB) was established on the basis of SCR 1483 (22 May 2003), and was made up initially of representatives from the UN, World Bank, IMF and Arab Fund for Economic and Social Development. It later included additional representatives from the Interim Government. Nevertheless, throughout its existence, the CPA (and its contractors) had a fairly free hand with Iraq's resources: the IAMB did not actually meet until December 2003 and did not appoint an auditor until April 2004, not long before the CPA was due to be wound up. It reported that oil production was not metered properly so that it was not possible to know how much oil was produced, the award of contracts took place without competitive bidding in

ways that caused concern and required further investigation, and the CPA failed to inform the IAMB of the results of its review of the operation of the State Oil Marketing Organization. The IAMB pointed out that it had raised these issues with the CPA repeatedly, and commissioned two audits from international accounting company KPMG. On the basis of the first audit, for the period up to 31 December 2003, the IAMB concluded that the CPA and Iraqi ministries had failed to track Iraq's money to a degree that it could be confident that it was being spent as intended, although it did not find evidence of fraud.<sup>33</sup> KPMG found that PRB minutes were not a clear record of decisions and reasons for them, that it often took decisions when not quorate according to CPA Regulation 3, and that the Iraqi official only attended two of its 43 meetings up to 31 December 2003. It also noted many other procedural irregularities in the contract awarding process run by the CPA once a proposal had been approved by the PRB and CPA Administrator. These included extremely short timescales for bids which undermined effective competition, lack of clear documentation of award of contracts on a non-competitive basis and award of funds to contractors without adequate monitoring of performance.<sup>34</sup>

The fact that the CPA was spending Iraqi funds allowed it to avoid following many of the procedures and controls that apply to spending US funds and explains why it generally spent Iraqi funds in preference to US appropriations.<sup>35</sup> As of 4 April 2004, 97% of the dollar value of the contracts awarded by the PCO (\$0.847 billion out of \$1.04 billion) was paid for from Iraqi funds. Furthermore, 73% of the dollar value of contracts paid for from Iraqi funds was awarded as sole-source contracts with no competitive bidding.<sup>36</sup> Not surprisingly, allegations of abuses have been made, such as the claim that US-based company Custer Battles charged \$20 million to provide security guards but subcontracted to a Kurdish Iraqi company for the work and pocketed as profit the difference of approximately 95% of the value of the contract.<sup>37</sup> In this case, US government auditors disputed two-thirds and withheld \$5 million of the \$20 million.<sup>38</sup> At one level, critiques of mismanagement of Iraqi funds by US agencies are important, as the money is then not available to Iraqis for their needs. However, a focus on ensuring that the funds are managed according to the highest procedural standards neglects the bigger issue of their imperial globalising role, mismanaged or not.

The most extensive and institutionalised expression of the decentred imperial globalisation of the Iraqi state in relation to reconstruction funding has taken the form of the International Reconstruction Fund Facility for Iraq (IRFFI). As such, its significance is much greater than is suggested by the small amount of money deposited in it—a mere \$0.6 billion as of 26 May 2004, as opposed to the \$13.6 billion promised.<sup>39</sup> The IRFFI is made up of two trust funds—the World Bank (WB) Iraq Trust Fund focused on economic transition, governance, public sector reform and poverty and safety net issues, and the UN Development Group (UNDG) Iraq Trust Fund focused on basic services, infrastructure, capacity building, employment generation and community-level rehabilitation. It is managed by a UN–WB

Facility Committee and a Donor Committee composed in May 2004 of 13 major donor countries and the European Commission, with observers from the UN, World Bank and other International Financial Institutions (ifis). These bodies liaise with the Iraqi Strategic Review Board, the Ministry of Planning and Development Co-operation and the Council for International Coordination (CIC) Assembly, which in turn liaise with bilateral contributors and the Ministry of Finance in relation to the national budget. All these bodies in turn liaise with recipients and executing agencies (UN agencies, ifis, ngos, ministries, governorates, municipalities, other elements of the public sector and the private sector). IRFFI monies are allocated in accordance with the priorities in the UN–WB Strategic Transitional Programmes which were in turn based on the October 2003 UN–WB Needs Assessment. Iraqis were integrated into the process of making the Needs Assessment and endorsing the outcome of that process. The Needs Assessment formed the basis of the Madrid donors' conference in October 2003; the institutional system described above generated 700 projects costing at \$4 billion for consideration at the international donors' conference in Abu Dhabi in February 2004. Further ideas were proposed for the donors' conference in Doha, Qatar. As of June 2004 there was no centralised tracking of international assistance coming into Iraq or of its co-ordination with CPA activities, although the US State Department and Iraqi ministries were in the process of trying to establish one.<sup>40</sup> Hence the effect of the IRFFI has been to create a system in which there is wide-ranging decentred penetration and globalisation of the Iraqi polity.

The processes of decentred imperial globalisation are also being reinforced by the spread and handling of Iraq's enormous war reparations payments and external debt. Iraq's combined multilateral and bilateral debt inherited from the Saddam era is estimated to be as much as \$137 billion. This does not take into account unpaid interest (which could more than double the total) or \$30 billion outstanding on reparations awarded by the UNCC and \$97.9 billion of claims still to be decided by it.<sup>41</sup> Iraq paid arrears to the IMF of \$81 million in order to trigger in September 2004 approval by the IMF of a loan of \$436 million in emergency 'post-conflict' assistance. Furthermore, the purpose of the loan is to improve Iraq's fiscal administrative capacity, with the explicit expectation that the increased capacity will be directed towards preparing Iraq for marketisation and debt management.<sup>42</sup> In November 2004 the Paris club of creditor states agreed to write off up to 80% of Iraq's debt to them by 2008, after protracted negotiations between its 19 members, on the condition of its acceptance of an IMF programme.

Formally, Iraq was in a position as a sovereign state to repudiate its debt, and thus reject the IMF programme; its failure to take this alternative is not a mark of its lack of sovereignty, but of its enmeshment in decentred structures of globalisation. Iraq has made its repayment and has accepted the Paris club proposal to mark its acceptance of IMF rules and has borrowed money which it is going to use to reshape itself into the mould desired by the IMF. This commitment to working within the framework of existing rules was an important factor in also allowing Iraq to secure credit from other institutions

such as the Islamic Development Bank, which agreed to lend Iraq \$500 million for infrastructural and humanitarian projects.<sup>43</sup>

The extent of Iraq's integration into decentred globalisation is displayed by this report of an interview with Ibrahim Bahr al-'Ulum, the minister for oil from September 2003 to June 2004:

[Bahr al-'Ulum] thought the policies of the interim government are similar to those the IMF would recommend, however he still rejected [IMF] conditionality because of the limitation on Iraq's freedom: 'We are Iraq! We were the cradle of civilisation and I don't want to see anyone controlling our economy by any means.'<sup>44</sup>

The defiance in this statement is wholly undermined by being combined with a commitment to following IMF policies. As the Iraqi state is locked into the neoliberal economic model that is a constituent element of imperial globalisation, external impositions appear unnecessary for it to adopt the consequent policies. A major issue facing the Iraqi state and the actors which are globalising Iraq from above is how to deal with Iraq's informal economy in ways which subsume it within the project of imperial globalisation.

#### **Iraq's transborder informal economy: decentred globalisation from below**

Iraq's transborder informal economy is massive, diversifying and contributing significantly to the decentred aspects of the globalisation of Iraq as overlapping networks outwith state regulation increasingly assert their power.<sup>45</sup> Although much of the informal economy is primarily regional, it has many global connections. The informal economy refers to all economic activities for which state regulations exist but are not applied. The term 'informal' is more useful than 'illegal' because goods can be produced legally without violence or illegality but traded in an illegal fashion and because those operating informally are sometimes not trying to evade regulation—with the feebleness of the Iraqi state, the effort to regulate economic activity is distinctly limited. The informal economy can be evidence of the early stages of liberal market economic revival, which can be gradually brought under state and international regulation. However, it can also be effective as an alternative economy outside the control of the state.<sup>46</sup> In the case of Iraq, it is in some respects part of a serious challenge to neoliberal globalisation from above. This is most obviously the case where it is serving insurgents who are overtly aiming to disrupt that process. Economic activity is being fragmented as a host of regional and global networks take control of, and expand, various sources of income.

Of all the many elements of Iraq's informal economy, oil is the most important and is highly decentred and transnational in character. In October 2003 the US and British navies intercepted large numbers of road vehicles and small ships smuggling Iraqi oil, but about 2000 tons of Iraqi oil—10% of Iraq's output at the time—was sold on the black market. The smuggling rings tend to be composed of Iraqis living in the United Arab Emirates (UAE) using tanker lorries or thousands of ships crewed by Ethiopians, Iranians,

Somalis and Syrians.<sup>47</sup> Despite the crackdown, the British military calculated that the amount of oil being smuggled out of Iraq each week to Kuwait and UAE had risen to about 3000 tons in December 2003.<sup>48</sup> Iraqi officials put the illegal export of Iraqi refined oil at up to 25% of output in January 2004.<sup>49</sup> Estimates of how much of Iraq's oil is smuggled go as high as 60%.<sup>50</sup> Although seizures continued, the Iraqi Minister for Oil announced in August 2004 that the country had lost some \$2 billion worth of oil income to smuggling and sabotage combined.<sup>51</sup> The Iraqi oil industry lacks proper metering facilities and so the authorities do not even know how much oil Iraq is producing.<sup>52</sup> The failure to meter the oil encourages the growth of the informal economy, not least by encouraging a sense that the state is not actually particularly concerned about where the oil goes. The prosecution of smugglers is rare. During UN sanctions, oil was smuggled out via Syria, Jordan, Turkey, Iran and the Persian Gulf, and there was tacit UN approval of the barter of Iraqi oil for Jordanian goods outside the UN Oil-for-Food Programme. Whereas the profits tended to go to Saddam's regime in the past (with some officials at all levels managing to skim money off for themselves), they now go to the smugglers and their allies. Coalition military commanders assume that they will never have the resources to catch most of the smugglers, and the US government is unwilling to push hard on an issue which would probably implicate some of its Gulf allies.

Oil smuggling, ironically, receives direct subsidies from the state, and the extent of oil theft indicates that smuggling must receive substantial assistance from state officials. Before the invasion, petrol, diesel and heating oil were subsidised to the point that their cost was almost negligible, and those subsidies have continued for fear of the political cost of charging real prices. The effect is to allow individuals with large vehicles—nicknamed *Bahara* (sailors)—from Iraq and other countries to fill up with subsidised Iraqi petrol for resale in neighbouring countries at 10 times the price for which they bought it and to make around \$20 profit per trip.<sup>53</sup> It has also acquired a significant new transnational dimension in that much of the petrol which is being smuggled will have been imported into Iraq in the first place because of problems with the production and refining of Iraqi oil caused by Coalition policy and the insurgency. Smugglers have been found to be re-exporting fuel using tanker trucks stolen from the Ministry of Oil's huge fleet.

Many other elements of the decentred transnational informal economy are not only present but appear to be growing in significance. With imports into Iraq this is a form of economic power that originates with US attempts to create a consumer boom—it results from the high salaries paid. But some of the import routes are now managed by the paramilitaries of al-Anbar province, who take goods and resources from traders to allow those routes to function. With oil exports the productive power originates with the US orienting its technological assistance and planning to the oil sector, but it thereby funds those smuggling the oil out, who are insurgents or who ally with insurgents to obtain and protect their resources. Other examples are the significance of personnel and resources from the US-funded security apparatus within the insurgency; and how the Coalition's reinvigoration of

Iraq's religious significance has led to paramilitaries seeking control over pilgrimage routes and shrines. In the early days of the occupation, the significance of looting was played down by Coalition officials, in the expectation that it would cease quickly. However, it soon became apparent that the looting had merged with smuggling, and was being carried out by insurgents as well as criminals. In addition, a common practice in the earlier part of the occupation was the theft and melting down into bars of high-tension copper electrical cables, which has been a major factor inhibiting improvements in electricity supply.<sup>54</sup> In April 2004 the CPA published rules for licensing the export of scrap metal and penalties for violating those rules, but hundreds of flatbed trucks and semi-trailers leave Iraq each day, loaded with new components imported for the reconstruction, old military vehicles, scrap of all kinds and even entire dismantled building complexes from former military-industrial sites.<sup>55</sup> While this smuggling may have a military-related dimension, it is probably primarily non-military in nature. Iraq is being integrated more deeply into world informal trading in weapons, pornography and illegal drugs, including heroin, hashish, cocaine, tranquillisers, anti-depressants and other medications, with drugs looted and stolen from hospitals and pharmacies or entering via Iran, Afghanistan, Saudi Arabia and Syria and being sold openly.<sup>56</sup> Smuggling of Iraqi ancient artefacts is another widespread practice to service the global art market centred around Geneva, Tokyo, New York and London.<sup>57</sup> Iraq is also being integrated into the global sex industry. Iraqi and Egyptian human traffickers kidnap and sell Iraqi women into prostitution slavery, sometimes moving them overland to Syria and flying them to brothels in Yemen.<sup>58</sup> Iraq's prostitutes now have a major client base in the form of hundreds of thousands of dollar-rich foreign civilian and military personnel. The economies that result from drug, artefact and person trafficking complement those of oil smuggling in linking Iraq closely into transnational networks that have considerable power in reordering the form of Iraqi society, and thus have a high degree of tenacity.

Overall, it can be seen that Iraq's informal economy has regional and global dimensions. Some of them provide challenges to the imperial reconstitution of the Iraqi state, some of them operate alongside that reconstruction and some of them even reinforce that imperial reconstruction: thus they allow for the penetration of Iraqi society by global criminal networks or by channelling Iraqi oil into the global oil market by the back door. The overall relationship between these complex forces in the imperial globalisation of the Iraqi state is considered in our conclusion.

### **Conclusion**

To understand the mechanism of rule in Iraq and its trajectory, it is important to look at how the apparatus of the Iraqi state is being continuously constituted by globalising forces. It is not a case that there is an Iraqi government that somehow stands outside globalising forces, which act as limitations upon that government's actions. Instead, globalising forces have largely shaped the preferences of the Iraqi government, its mode of

assessing the methods to realise those preferences, its mechanisms for implementing those methods, its choices of which preferences to prioritise, and its ways of assessing whether those preferences have been realised. These forces remain present not simply by permission of the Interim Government, but have become deeply embedded into the structure of the economy. We have explored in this article various aspects of Iraq's rearticulation to capital: there are many other aspects of that issue (such as privatisation and the operation of private military companies) and many other issues (such as the political networks and practices of liberal democracy) which also influence the imperial globalisation of Iraq and which require further exploration. Understanding of the competitive, complementary and mutually constitutive relationships between US-dominated aspects of globalisation, decentred aspects of globalisation (international and transnational, from above and from below), and Iraq's social forces also needs further theoretical and empirical development. The formal hand-over of 28 June 2004 served the purpose of putting an Iraqi face on imperial globalisation and providing much greater legal cover for it than was available under formal occupation. Ironically, one of the most important exercises of what might be called popular 'sovereignty' in Iraq is one not generally represented as such—the direct privatisation of Iraq's oil industry has been prevented thus far by a belief that an attempt to do so would produce political disquiet on a scale that would render the US presence in Iraq untenable.

The fact that the USA physically occupied Iraq, installed a government and passed much legislation by decree might suggest almost total US dominance over broader globalising forces and thus that the Iraqi state is almost solely an instrument of US empire. Certainly, Iraq's imperial globalisation from above is not primarily decentred in terms of the actors involved or the interests served: US actors and interests have been at the forefront. However, the actions of US actors have tended to favour US political power and the US-based fraction of capital less than the fact of occupation would suggest: actions by the USA are not necessarily actions on behalf of the USA.

Furthermore, this advantage has declined over time. The USA has experienced considerable tension between trying to retain freedom of manoeuvre through retaining control over decision making and seeking to consolidate its position through the establishment of effective co-opted Iraqi decision making and the involvement of other international and transnational actors. It has sought to square this circle by a gradual shift to an emphasis on the second approach, dangling the prospect of more access to contracting and subcontracting in the hope of attracting more political and military support, and by permitting Iraqi appointees more decisions over the allocation of Iraqi resources. Other states have positioned themselves to maximise their corporate penetration of Iraq and debt and compensation repayment by Iraq while letting the USA bear the costs of facing the insurgency. In addition, there is a second force for decentred globalisation in Iraq, namely, 'globalisation from below' by means of the workings of the transborder informal economy. Many but not all of the activities of this

informal economy are closely related to the insurgency. The USA, neoliberal institutions and the actors in the informal economy are generating sometimes competing and sometimes mutually reinforcing effects. This globalisation from below demonstrates that Iraq is not merely the passive object of globalisation from above. The globalisation of Iraq from above and from below is proceeding in a highly dynamic fashion, resulting in and as a product of a considerable level of unpredictability. For example, the USA has repeatedly changed its plans for Iraq, and international actors such as the UN, World Bank and IMF have been forced to operate at arm's length from outside Iraqi territory. Further major changes of direction—and even reversals of aspects of imperial globalisation—are easy to imagine as the contest over Iraq is played out.

## Notes

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