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A MILITARISED NEO-LIBERALISM: AUSTRALIA'S ECONOMIC POLICIES IN IRAQ

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Once military victory had been declared in Iraq, on May 14, 2003, Prime Minister John Howard delivered his vision for a democratic Iraq to the Australian Parliament and the nation: 'We are not in the business of imposing a particular model of democracy on the Iraqi people. ... For only the Iraqi people are in a position to determine what is in their national interest' (Howard, 2003).

Four years later, the reality is vastly different. Australia was and continues to be a full participant in the radical transformation of Iraq's economy and political institutions into a neo-liberal state, with deliberate and systematic planning to ensure that Iraqis had no say in determining their own national interest, other than the model of self determination upon which the United States, Australia, and Britain had already decided. Australian officials and corporations participated at nearly every level of the Occupation. At least 15 Australian government officials were working in senior positions for the Coalition Provisional Authority (CPA), the administrative body responsible for overseeing the Occupation. These officials helped implement these neo-liberal policies and other aspects of the military Occupation. In addition, Australian corporations have received Reconstruction contracts worth well over A\$2 billion in revenue.

In that same speech to Parliament, Howard announced that Australia, along with the United States and the UK, had founded the CPA. Australia's most prominent role in the CPA was reserved for restructuring Iraq's agriculture sector, the one area where it shared equal

authority with the US. Far from promoting food security, Australian officials were focused on guaranteeing ongoing contracts for the Australian Wheat Board (AWB), while simultaneously eliminating Iraqi government farming subsidies. They were also instrumental in introducing a system of monopoly patent rights over seeds and facilitating the dominance of Iraq's agriculture by Australian and US corporations.

The motivation for the Howard Government's participation in the invasion and subsequent Occupation of Iraq, and its ongoing troop commitment, is an extension of the neo-liberal policies which have driven successive Australian federal governments over the past two decades, and which reached their peak with the Howard Prime Ministership. This paper examines the Coalition Provisional Authority's economic policies in this context, outlines Australia's actual participation in the CPA, and relates the economic benefits it has either received, or had reason to believe that it would receive, as a result of its participation in the invasion and Occupation.

This paper also addresses how the CPA laid the institutional framework for the longer term control of Iraq's oil, and ensured that its economic future and policies would be tied to the World Bank and IMF neo-liberal structural adjustment programs, including policies to eventually eliminate its food subsidies program, on which 60% of the population continues to depend for daily sustenance. It also relates how the CPA established the political and legislative framework to ensure that these laws would be embedded in any future elections, constitution, or legislative context. This was guaranteed in no small part by the ongoing presence of 150,000 Coalition (including Australian) troops.

A Militarised Neo-Liberalism

Damien Cahill and Sharon Beder give the following definition of neo-liberalism:

According to neo-liberal theory, 'markets', when freed from state interference, are the most efficient, and most moral, way of providing goods and services in society. Although most neo-

liberals admit a limited role for the state in enforcing the rule of law and, sometimes, in providing a 'safety net', they nonetheless argue for a severe reduction in the state provision of services such as education and health care, and a dismantling of regulations limiting corporate powers. Through privatisation, deregulation and marketisation, argue neo-liberals, a more prosperous and more free, although not necessarily a more equal, society will eventuate... Over the last twenty years, the neo-liberal philosophy has come to dominate policy making in Australia as the dominant ideological frame through which society is understood within the media, the bureaucracy and political elites (Cahill and Beder, 2005: 6).

From 1983, Prime Minister Bob Hawke and Treasurer and future Prime Minister Paul Keating were influenced by the neo-liberal policies being introduced in the United States under Ronald Reagan, and in the UK under Margaret Thatcher. Harvey (2005) details the origins of neo-liberalism in these countries, and its hegemonic extension via US policy to international institutions like the World Bank, International Monetary Fund, and World Trade Organisation. Harvey also examines how these institutions utilise debt repayments to force countries to open up their economies to American capital.

However neo-liberalism alone is not enough to understand US motivation and Australian support for the invasion and occupation of Iraq. To comprehend the overwhelming power of the US in pursuing its agenda in Iraq, US driven neo-liberalism in its international context is best understood as imperialism. Neo-liberalism as a means of economic control has been as effective an imperialist weapon as the direct political conquest deployed by European colonial powers. This phenomenon is delineated in Panitch and Gindin (2004), and myriad publications by Noam Chomsky. Panitch and Gindin present a compelling historical analysis of US neo-liberalism in an imperialist context, presenting global capitalism as the ultimate tool of the European colonial powers, and extending it to the present context of US neo-liberalism. Harvey (2003) further defines US imperialism as essentially capitalist in motivation, arguing that when capital over-accumulation occurs within a defined geographical space, it moves into new regions where capital can be easily absorbed and labour surpluses quickly and cheaply accommodated – whether by consent or coercion (Harvey, 2003: 101).

Neo-liberalism, even in the context of imperialism, does not adequately describe the Coalition Provisional Authority's economic policies in Iraq. Countries that have agreed to World Bank and or IMF programs have had a choice, albeit restricted, regarding those programs. These countries were represented by their sovereign governments, be they democracies or dictatorships. While the US has covertly supported the military overthrow of governments and subsequent installation of neo-liberal regimes – the case of Chile in the 1970's is perhaps the best known and clearest example - these did not involve a direct US military invasion. The case of Iraq is unique and alarming because it is an enforced neo-liberalism imposed at gunpoint under the Coalition military invasion and subsequent Occupation. Iraq therefore represents a new, distinct, and substantial development in US neo-liberal policy and hegemony. Rather than control being exerted through debt restructuring, Iraq was the object of a direct military invasion which then sought to establish a neo-liberal state. This strategy was clearly the intention of the US, and possibly its allies like Australia, and was determined *before* the invasion. A distinction must therefore be made regarding Iraq and the previous 25 years or so of US neo-liberal imperialism.

A more accurate description of the CPA's economic policies is what I term a *militarised neo-liberalism*. The willingness of the US to move to this direct militarised neo-liberalism is clearly articulated in the Bush Administration's National Security Strategy (September 2002), which declared, in the aftermath of September 11th 2001 the right of the US to pre-emptively strike terrorists or 'rogue states'. Less famously but equally crucially, the strategy also stipulates that 'free markets and free trade were key priorities' for US security. A militarised neo-liberalism could only be carried out in the context of the overwhelming military superiority of the US, and its ability to carry out, in the words of Ellen Meiksins Wood (2003), a 'war without end'. Wood points out that the US 'War on Terror' is by definition unwinnable, and that the US as an imperial power defines rogue states as states that are harboring or supporting terrorists, but also states opposing the extension of US capital and free trade. In the case of Iraq, the US's justification for its pre-emptive strike was Iraq's ties to Al Qaeda and weapons of mass destruction – both proven to be false.

Cahill and Beder identify a crucial contradiction of neo-liberalism:

that a system which is justified on the premise of a withdrawal of state intervention in the economy has entailed an active role for the state in its implementation and maintenance (2005: 5).

Tim Anderson also recognises this contradiction, describing it as:

A market re-regulation to guarantee new and profitable markets to large corporations, and a social re-regulation to restrict the meaning of citizenship, where this conflicts with the delivery of profitable markets to large corporations (Anderson, 1999: 18).

Regarding Australia, 'the active role of the state' is the Australian government's participation in the military invasion of Iraq. The 'withdrawal of state intervention of the economy' was the CPA's dismantling of the Hussein government's state-sponsored economy. But, ironically, this transformation could only be done via a new and very substantial state (the CPA Occupation, the new state) intervention in the economy: the billions of dollars spent on an ongoing military troop presence and foreign aid (including over \$170 million from Australia's foreign aid budget, the bulk of which went towards agricultural restructuring), without which the new CPA economic policies would have no hope of succeeding.

In her recent in-depth critique of neo-liberal policies under the Howard government, Raewyn Connell theorises that the state is actually responsible for *producing* markets (Connell, 2006). Connell applies this analysis more specifically to the production of new markets within Australia as a direct result of Howard government policy, particularly regarding education and welfare. The creation of markets hardly originated with neo-liberalism; it has been an ongoing distinction of capitalist economies, as delineated in Karl Polanyi's *The Great Transformation* (1944).

Identifying the Howard Government's actions in the context of the state's responsibility to actively create markets, or to prevent any loss of position relative to existing markets, provides a clearer understanding of the motivations, both economic and ideological, of the decision to

support the invasion of Iraq despite considerable public opposition. Indeed, producing a new market for Australian wheat was a primary, although by no means exclusive, Howard Government objective in Iraq from the beginning.

CPA Economic Laws

The Coalition Provisional Authority was established in May 2003 by the United States, the United Kingdom, and Australia. It was the official governing body of the military Occupation until the so-called handover of sovereignty to an appointed Iraqi government on 28 June 2004. The CPA had full executive, legislative, and judicial authority over Iraq during this time (CPA, 2003). Australia's representative in the CPA was long time diplomat Neil Mules, the head of the Australian Representative Office in Baghdad, the precursor to what would become the Australian Embassy. The CPA was led by American Paul Bremer, also a long time diplomat with a number of Ambassadorial postings over a thirty year career. Often referred to as the *de facto* Prime Minister, Bremer's official title was administrator. He had vast powers to initiate and implement CPA policies (Juhasz, 2006: 190).

With UN Security Council Resolution 1483, the United Nations formally acknowledged the occupation of Iraq by the Coalition, and recognised the CPA as the occupation government. The Resolution was passed on May 28 2003. It included the requirement that the CPA promote the welfare of the Iraqi people through the effective administrative of the country, restore security and stability so that the Iraqi people could 'freely determine their own political future,' and comply fully with international law governing occupying powers (UN, 2003).

Echoing Cahil and Beder's definition of neo-liberalism, the CPA wasted no time in implementing a market-oriented, radical neo-liberal economic system, with 'privatisation, deregulation and marketisation' as the cornerstones for the new Iraqi economy, 'a severe reduction in the state provision of services such as education and health care', and a dismantling of regulations limiting corporate powers'. Herbert Docena (2005) and Antonia Juhasz (2006: 185-259) have both detailed the

specifics of these economic policies. Within months the CPA announced that nearly all Iraqi industries were open for sale to foreign investors, the vast bulk of which were state-owned enterprises (SOE's). This development essentially moved the entirety of Iraq's economy, with the exception of oil, from SOE's to an almost entirely privatised one to be owned, controlled, and for the benefit of selective foreigners – the United States, Australia and its allies. It would be the CPA, not Iraqis, who would determine the selling price, and then write the subsequent budgets of how the revenue would be spent. Not only did the CPA authorize and fast track the wholesale sell-off of Iraqi SOE's, but it specified there could be no preferential treatment for Iraqis. Foreign corporations could buy up 100% of these industries, and also keep 100% of the profits. Their sole requirement was to maximise profits; if the people of Iraq accrued any benefit from it, it would apparently be a matter of luck, not intent.

Tariffs, duties, and other taxes on imports were also rescinded, thus facilitating an influx of cheap foreign products and eliminating any protection for Iraqi industries. Australia benefited directly from this particular order, as it meant that Iraqi farmers would have no protection against increased Australian wheat imports.

Foreign banks were allowed to own up to 100% of domestic Iraqi banks, and were also allowed to establish their own private sector banks. Foreign branches and domestic subsidiaries of foreign banks were guaranteed equal treatment to that of Iraqi domestic banks. CPA Order 49 created a flat tax of 15 % on individuals and corporations. An Iraqi earning \$100 a month would pay the same percentage of tax as a multinational corporation earning billions. Although Iraqis were not technically eliminated from buying the SOE's or becoming shareholders once the industries were sold, few if any could afford to do so. Iraq's economy was in a shambles after the devastation and subsequent looting of the invasion, and following over ten years of sanctions and the destruction from the first Gulf War.

Even mainstream financial journalists were stunned at the audacity of the plans. 'By almost any mainstream economist's standard, the plan ... is extreme – in fact, stunning' wrote Jeff Madrick, *New York Times* Economic Columnist (2003). Neil King (2003), of the *Wall Street*

Journal, said that the intent was 'to remake Iraq's economy in the US image.' *The Economist* (2003) described the plans as '... fulfilling the wish list of international investors ... Let's go to the yard sale.'

Although the CPA's neo-liberal economic policies were embedded as law, they have as yet not been successfully implemented. The CPA had to back down on the fast-tracking of the privatisation plans due to substantial public resistance. The mass privatisation plans and sell off the SOEs, as well as various proposals to open up Iraq's nationalised oil reserves, have been put on hold by successive elected Iraqi governments, despite considerable Coalition pressure to approve them. The ongoing legal issues of selling off Iraq's economy, and the critical lack of security, has meant few buyers (Docena, 2006). In July 2006 Iraq's Trade Minister, Abdel Falah-al Sudany, declared that privatisation would not happen 'for at least five to 10 years' (AFP, 2006).

Laying the Framework for Neo Liberal Institutions

This neo-liberal economic restructuring was not undertaken by an Occupying force taking advantage of chaos and lack of scrutiny, shielded by overwhelming military strength. The master plan for transforming Iraq's economy along neo-liberal principles had already been spelled out in startling detail in a draft February 2003 contract between the US Aid for International Development, the official US government aid agency, and the Bearing Point Corporation – a full month before the purported final decision was made to invade (Juhasz, 2004).

The document reads like a neo-liberal manifesto. It clearly stated that any and all decisions regarding Iraq's economy would be determined by the CPA and the military occupying force, and not Iraqis. For example, 'The new [Occupation] government will seek to open up its trade and investment linkages and to put into place the institutions promoting democracy, free enterprise and reliance on a market driven private sector as the engine of economic recovery and growth' (Juhasz, 2004).

The Iraqi population was not presented with these plans as a political platform. Indeed, Iraqis were openly prohibited from even seeing, let alone determining, them. Isam al-Khafaji, who worked directly with the

CPA in the first months of the Occupation, verified that 'Many radically new sweeping changes, for example the law on foreign investment, Iraqis were not allowed to review it. They were not even given the chance to look at it before it was passed' (cited in Mekay, 2004a). Any Iraqis who opposed the mass privatisation, or for that matter the military Occupation of their country in general, were quickly cut out of the CPA initiated and controlled political and electoral system. Iraqis would have no say or sovereignty over their own economy or their economic future.

Australian Officials in the CPA

The CPA's militarised neo-liberalism could not have been implemented without the work of Australians like Anthony (Tony) McDonald, on the Howard public payroll as the CPA's Director of the Office of Management and Budget. McDonald was responsible, along with fellow Canberra Treasury bureaucrat Dan Devlin, for preparing the CPA's 2003 and 2004 budgets. McDonald also helped ensure the payment of public servants in the early and chaotic days after the invasion. Bremer personally commended McDonald, stating that he often acted solely upon Tony's macroeconomic advice (Cha, 2004a). That macroeconomic advice presumably extended to the CPA's wage law which lowered public sector wages in Iraq's state-owned economy from US\$60 a month to US\$40, while foreign workers were earning up to \$1,000 a day (Bacon, 2005). McDonald stayed on beyond the handover of sovereignty as an advisor to the Iraqi Finance Ministry.

Technically the highest ranking Australian in the CPA was Andrew Goledzinowski, who served as the CPA's Director for Development Cooperation. Seconded from the Department of Foreign Affairs, Bremer personally awarded him a US service medal for 'service to the reconstruction' of Iraq. Goledzinowski had been one of the first Australian civilians to arrive in Baghdad in April 2003, and was charged with setting up the new Iraqi Ministry of Justice in one of Saddam Hussein's most opulent palaces (Baker, M, 2003). In addition, Heidi Venamore and Christopher McNichol each were awarded (by John Howard) a Public Service Medal for their 'achievements in furthering Australia's interests in Iraq under difficult and challenging

circumstances'. Venamore was further singled out for her 'key role in the successful pursuit of Australia's trade and investment interests' while serving as the official Deputy to Neil Mules, Australia's representative in the CPA and head of the Australian Representative Office in Baghdad, the precursor to what would become the Australian Embassy. McNichol served as the Political and Economic Director under Mules (Howard, 2004).

But it was in the area of agriculture that Australia went from collusion to active authority.

Neo-Liberal Authority: Australia and Iraqi Agriculture

By far Australia's most prominent role in the CPA was reserved for restructuring Iraq's agriculture sector, the one area where it shared equal authority with the US. On April 22 2003, two weeks before the CPA was even formally declared, John Howard hand picked former Australian Wheat Board (AWB) chairman Trevor Flugge to be the co-head of the CPA's Ministry of Agriculture. Flugge shared co-responsibility for restructuring Iraq's agriculture with US official Dan Amstutz, formerly of the Cargill Corporation, one of the world's largest agricultural companies and a notorious promoter of genetically modified organisms (Smith, 2005).

Flugge is now famous for his photo – grinning and bare-chested, with pistol pointed at the camera taken while he was on the Howard government payroll in Iraq and appearing on the front pages of newspapers throughout Australia in early 2006. He is equally infamous as the alleged architect of the nearly \$300 million in kickbacks AWB paid to Saddam Hussein to guarantee wheat contracts under the UN Oil for Food program, as revealed in the Cole Inquiry findings released in late November 2006 (Wilkinson and Coorey)¹.

¹ The Cole Inquiry was established by the Australian federal government as an independent body to investigate allegations of illegal kickbacks by Australian companies, as uncovered in the UN's Volker Report. Evidence presented at the Inquiry suggests that senior government officials, including the Prime Minister,

Flugge also worked hard to eliminate as quickly as possible the price supports and other agricultural subsidies that Iraqi farmers had enjoyed under the Hussein government. Washington Post writer, Ariana Eunjung Cha, outlined the government assistance for Iraqi farmers before the invasion:

Farming inputs such as seeds, fertilizer, pesticides, sprinklers, and tractors were subsidised often at a third or even a fourth of the market price. The government leased land for one cent per donam, about six-tenths of an acre, a year. It bought the country's main crops, wheat and barley, at a fixed price, whether they were useable or not. And it ground up the grain and provided it free as flour to the people each month as part of the guaranteed food program in which every family received a basket of flour, sugar, tea, and other necessities (Cha, 2004b).

Invoking a classic neo-liberal mantra, Flugge explained to Cha in the same article that subsidising farming supplies is 'all wrong'. The CPA would provide assistance in the form of technology and education and the market would take care of the rest.

The CPA had already mandated the elimination of all tariffs, duties, and other taxes on imports. This led to the flooding of Iraq with foreign foodstuffs, and, combined with Flugge's phase-out of direct support for Iraqi farmers, instantly created a new substantial agricultural market for Australian and American farmers, in particular, wheat farmers. In a market long dominated by Australia, the US exported \$190 million worth of wheat in the first year after the invasion, compared to zero before the invasion (Juhasz, 2006: 204). As highlighted below, the Howard Government took substantial measures to help guarantee Australia's share in this expanded market, opened up through the extraordinary process of a militarised neo-liberalism. AWB successfully secured contracts in 2004 and 2005 worth over a combined two million tonnes of wheat to Iraq. Previous individual contracts were for 460,000 tonnes under the World Food Program (Moncrief, 2006).

knew about the kickbacks, which were in clear and criminal violation of UN sanctions (Wilkinson and Marr, 2006a).

Abu Ahmed Al-Hadithi, an Iraqi vegetable seller at the Al-Adhamiyah market, described how the impacts of Flugge's policies were already being felt in April, 2004, as follows:

The costs of gas and food are going up so high; so even if we make more now, everything is costing more ... In Saddam's days we grew all our own vegetables to sell ... but now so many are coming from outside of Iraq and it is causing us to sell them for less. So I make less profit now, and I have nine people to take care of, and it has made my life very difficult (cited in Jamil, 2004).

Australia was also directly responsible for one of the most extreme of the CPA economic laws, Order 81, which introduced a system of monopoly patent rights over seeds. This order facilitated future dominance of Iraq's agriculture by Australian and US corporations (CPA, 2004).

Iraq is the ancient birthplace of agriculture, and its wheat, legumes, and other seed crop varieties have been developed and refined for local conditions over a period of 10,000 years. As farmers do throughout the world, Iraqis saved their seeds from one harvest to plant for the next. Much of Iraq's seed stock had been depleted in the war. Flugge and Amstutz then presided over the distribution of new seed stocks – seed stocks developed and 'patented' by corporations like Cargill and Monsanto and then ensured these seeds would be protected by the CPA patent law. Under CPA Order 81, it would now be illegal for farmers to plant these 'patented' seeds, even if taken from their own harvest, without paying a royalty to the seed patent owners – corporate giants like Cargill and Monsanto (Doran, 2006). Australia's SAGRIC Corporation was a big contract winner to help implement the transformation of Iraqi agriculture.

Embedding AWB Executives In the CPA

The Australian Government's official aid agency, AusAid, stated firmly that 'Australia will make a strong and effective humanitarian contribution to the Iraqi people', and would specifically work to 'facilitate Iraq's transition to an open, market based economy' (AusAid, 2003). It

provided more than \$170 million thus far for Iraq aid, with by far the biggest chunk, \$45 million, dedicated to agriculture. Neither AusAid, the Australian government, nor the CPA ever engaged the Iraqi public, let alone Iraqi farmers, about whether they actually wanted a 'market based economy'.

It was out of this AusAid budget that Flugge was paid almost A\$1 million for approximately eight months work in Iraq. Responding to criticism when Flugge's salary details were exposed earlier this year, Prime Minister Howard was unapologetic, 'I will tell you why we sought his involvement,' he said. 'It was because our principal concern at that time was to stop American wheat growers from getting our markets. We thought Mr Flugge would fight hard for the Australian wheat industry' (Nicholson, 2006). Flugge's appointment to Iraq came at a time when it was unclear whether the AWB contracts signed under the UN's Oil for Food program would still be honoured. The Oil for Food program had been established to allow UN approved sales of Iraqi oil to go into a UN controlled account, which was then used to pay for humanitarian aid, particularly food aid – like the wheat contracts with the AWB.

The contracts had to be approved by the UN, and anything other than aid was strictly prohibited under the sanctions, designed to ensure Iraq complied with the terms of destroying its weapons of mass destruction. When the war started, AWB had over \$300 million worth of outstanding contracts with Iraq under the Oil for Food program, and was eager – as was the Howard Government – to ensure the contracts would be honoured under the new CPA Occupation government (Wilkinson and Marr, 2006). These contracts, we now know, were laden with illegal kickbacks to the Hussein government. AWB was the biggest single supplier of food under the Oil-for-Food program, and sold 12 million tonnes of wheat valued at \$A 2.6 billion under the program (Moncrief, 2006). One of Flugge's duties with the CPA was to review the previous AWB contracts with Saddam Hussein under the UN Oil for Food program, and advise regarding whether they were to be honoured by the new CPA administration. Unsurprisingly, the CPA honoured the contracts (Baker, 2006a).

Trevor Flugge was not the only AWB official picked by the Howard Government to work in the CPA, and paid for by Australian taxpayers

under the guise of an 'effective humanitarian contribution to the Iraqi people'. Michael Long, another former AWB top executive, was a Howard appointee 'advising' the Iraqi Trade Ministry – the Ministry responsible for approving and signing contracts, including the outstanding contracts AWB had signed under the Oil for Food program. Long, who code-named himself 'Proton' in his communication back to AWB in Melbourne, boasted of how he and Flugge had ensured that long term Iraqi Grains Board head, Yosif Abdul Rahman, received a top position in the Ministry of Trade despite the CPA's purging of top Baathists from government positions. Rahman had been AWB's chief contact in Iraq for the kickbacks. One of Long's primary responsibilities was prioritising which contracts should be honoured by the CPA – and few contracts were bigger than the AWB kickback-laden wheat contracts. In September 2003, the CPA approved the \$300 million worth of AWB contracts that had been negotiated under the UN Oil for Food program, and which had been held up since the invasion. The UN had also formally lifted the sanctions by this time (Wood and Baker, 2006).

Long left the Ministry of Trade in early 2004, to be replaced by yet another AWB executive, Darryl Hockey. Until he left for Iraq, Hockey had been AWB's manager of government relations. He had been AWB's media spokesperson in mid 2002 when Iraq threatened to cancel AWB contracts because of Australia's support for the Bush Administration's increasingly bellicose stance against Iraq. Iraq shortly thereafter decided to honour the contracts, following extensive lobbying from AWB. Hockey has now returned to AWB as, appropriately, the head of international market development (McGeough, 2006).

CPA Corruption

As a member of the CPA, Australia must be held accountable for the CPA's extraordinary corruption and seeming administrative ineptitude. In US Congressional hearings held early in February 2007, it was revealed that nearly US\$12 billion of CPA controlled money could not be properly accounted for, with no clear accountability or record keeping regarding who received it, or why. This sum was actually Iraqi funds that had been handed over by the UN's Oil for Food program to the CPA

for humanitarian and Reconstruction purposes (Baker, 2005).

Legality of Australia and the CPA

Australia's active participation in creating and implementing the CPA economic orders were clearly illegal, as defined by international law. The Hague Regulations of 1907, Article 43, state that an occupying power 'must re-establish and insure as far as possible, public order and safety, while respecting, unless absolutely prevented, the laws in force in the country' (cited in Mate, 2003). Australia and the US have both ratified this treaty and it is binding as law. Furthermore, UN Security Council Resolution 1438, which recognised the CPA as the occupation government, specifically calls on the Coalition 'to comply fully with their obligations under international law including in particular the Geneva Conventions of 1949 and the Hague Resolutions of 1907' (UN, 2003).

Australian Corporations: The Contracts

Recalling Anderson's assessment that neo-liberalism applies 'A market re-regulation to guarantee new and profitable markets to large corporations ...' Australia's corporate bounty, and access to new and profitable markets via this militarised neo-liberalism, was not limited to AWB. South Australia based SAGRIC International, along with the Australian federal government's Commonwealth Scientific and Industrial Research Organisation (CSIRO) and US Corporation DAI, won a contract worth up to US\$120 million from the United States' foreign aid agency, USAID, to 'revitalise' Iraqi agriculture. In its October 22 2003 press release announcing the contract, SAGRIC stated that it would 'assist the modernisation of agriculture in Iraq by supplying seed and fertiliser' (cited in AAP, 2003). It neglected to mention that those seeds would then be protected by the CPA's order on patents. SAGRIC also won a A\$20 million contract in 2003 from AusAid for the Rehabilitation Assistance Facility, a kind of overview administrative facility for managing the various elements of Australian aid, including bringing Iraqi government agriculture officials to Australia for training in agricultural

policy and management, agribusiness systems, and other specialised training programs, and to train Iraqi government officials regarding eventual WTO membership for Iraq (SAGRIC, 2003b).

The ANZ Bank was selected by the CPA to be one of the founders of the Iraqi Trade Bank, providing key financial guarantees and backing for the restructuring and mass privatisation plans. The Trade Bank establishes lines of credit to help guarantee Western imports, which undercut whatever Iraqi businesses and farmers had survived the war and a decade of sanctions (ANZ, 2003). These lines of credit were backed up via guarantees of payment from future Iraqi oil revenue (Jeserich, 2004). ANZ has been the target of widespread anti war protests in Australia and New Zealand (Lowenthal, 2005).

Brisbane-based and Packer-family owned GRM International was awarded a 2003 USAID contract with an initial value over A\$100 million to help deliver economic recovery, reform, sustained growth, and 'provide advice to the CPA on the transition from the UN Oil-for-Food Program to a normalised food purchasing and distribution system' (GRM, 2003). This is neo-liberal code for eliminating Iraq's public food distribution system, on which some 60% of the population continues to depend. The contract was in collaboration with Bearing Point, the same American company which had written the entire blueprint for Iraq's neo-liberal economic transition and mass privatisation before the war had even started.

Oil: The Production Sharing Agreements

Iraq's state-owned oil industry was excluded from the CPA's mass privatisation plans. The Coalition knew that any attempts to privatise Iraq's nationalised oil industry would give added impetus to the insurgency, and would be viewed by much of the world as a blatant ruse to seize Iraq's oil. This view is understandable, as the US is projected to depend on imports for 75% of its oil needs by 2025, and Iraq is one of the few areas of the world with the capacity to provide it (Doran, 2004). It is doubtful that the United States was ever going to allow the future control of Iraq's oil be left to the Iraqi people. The key for the US and

Coalition was to gain control of Iraq's oil, while avoiding the thorny issue of actual privatisation. The solution was Production Sharing Agreements (PSAs), where the oil is still owned by the state, but foreign oil companies have access to production and refining. PSAs last for 30-40 years, and cannot be re-negotiated by any future government (Docena, 2006). Shortly after the June 28, 2004 handover of sovereignty, the non elected CPA appointed former CIA agent head of Iraq's transitional government, Iyad Allawi, began negotiating the concept and terms of the PSAs (Juhasz, 2005).

PSA terms are vastly favorable to multinational companies, in this case oil companies. Recent proposals were to allocate approximately 64% of Iraq's oil reserves to PSAs, as outlined in a November, 2005 report by London NGO, Platform (Muttitt, 2005). The report estimates that Iraq would stand to lose between US\$74 billion to US\$194 billion compared to leaving oil development in public hands, based on a very conservative \$US 40 a barrel. According to Platform, profits for the foreign oil companies would be guaranteed a 42 to 162 percent rate of return.

Since February 2007, the Iraqi Parliament began debating the passage of a new comprehensive oil law, with features similar to the Production Sharing Agreements, although PSA's have apparently been eliminated from the actual legislation. The legislation stops short of full privatisation, and technically Iraq's oil would remain nationalised. But, similar to the Bremer economic orders of the CPA, the Iraqi government would be prohibited from giving preferential treatment to Iraqis over foreign multinational oil companies in securing oil related production and infrastructure contracts (Juhasz, 2007). Instead of the revenues remaining in Iraq, contracts awarded to the likes of ExxonMobil, Shell, or BHP would line the pockets of shareholders, not Iraqis, and the government would be severely limited in its capacity to ensure that Iraqis gained as much economic benefit as possible from their primary economic resource.

The draft of the legislation has been kept from the Iraqi people, but it was not kept secret from US President George Bush. In December 2006, before it had even been presented to the Iraqi Parliament, Bush publicly called on the Iraqi government to pass the legislation. Shortly thereafter he requested an additional 21,000 troops for Iraq (Floyd, 2007).

There has been widespread Iraqi public opposition to any attempts at privatisation of Iraq's nationalised oil industry. Iraq's five trade union federations, representing hundreds of thousands of workers across a range of industries, released a statement in December 2006 rejecting the 'handing of control over oil to foreign companies, whose aim is to make big profits at the expense of the Iraqi people, and to rob the national wealth, through long term, unfair contracts, that undermine the sovereignty of the state and the dignity of the Iraqi people' (IFOU, 2006).

Australian Energy Companies and Iraqi Oil

Given the size and scope of Iraq's oil resources, access will not be exclusively limited to US companies. Already the largest Australian contract under the Reconstruction has gone to Sydney-based Worley Corp, which received a US\$800 million contract in 2003 with the US Army Corps of Engineers in a joint venture with US-based Parsons to rebuild oil infrastructure (Lowenthal, 2005). Woodside Energy Ltd, Australia's second largest oil and gas company, signed a US\$2.5 million two year agreement in November 2004 with the transition government's Oil Ministry, evaluating oil and gas prospects in Iraq's Kurdistan region. In one of the more bizarre incidents in Australia's Iraq adventure, it was revealed that Liberal Senator Ross Lightfoot traveled to Iraq in 2005 and bribed Kurdish representatives with US\$25,000 on behalf of Woodside (Lowenthal, 2005).

Not to be outdone, the Big Australian, BHP Billiton, developed its own Iraq focused oil company, Tigris Petroleum, during the Hussein era. Tigris and BHP quickly secured a joint venture contract from the CPA in 2003, and another with the transition government the following year (Baker, 2006b).

BHP and Tigris are now under investigation for sanctions violations, as part of the Cole Inquiry, regarding a A\$5 million wheat shipment AWB sent to Iraq in 1996, but for which BHP paid. The shipment was classified as 'a humanitarian gift', and was thus permissible under the sanctions. Evidence before the Inquiry shows that BHP, via Tigris, then successfully recovered the money by having AWB artificially inflate the

cost of a million tonne wheat deal in 2002, and then have the extra money diverted back to Tigris to recoup the original A\$5 million 'gift'. Tigris Petroleum head and long time BHP executive, Norman Davidson Kelly, helped negotiate the AWB contract – with the alleged kickback provisions and payment for Tigris/BHP – with the Hussein government (Wood, 2006).

The CPA had barely been functioning when, in May 2003, it granted BHP and Tigris, along with Shell, an evaluation contract for the Halfayeh oilfield. In late 2004, the unelected CPA-appointed Iraqi interim government approved a two year project for Tigris and Australia's top three oil companies – BHP, Woodside, and Santos – to evaluate projects in Iraq's Kurdish north (Lowenthal, 2005).

As has been their standard response regarding the AWB's kickbacks, Foreign Affairs Minister Alexander Downer and Trade Minister Mark Vaile deny having played any role in either the wheat gift or subsequent identification and payback as a loan, or that they had a hand in securing Tigris and BHP's subsequent post invasion contracts. However, Department of Foreign Affairs documents obtained by *the Age* show that they were briefed at least 19 times regarding Tigris and BHP interests in Iraq, and that Heidi Venamore, deputy head of Australia's Representative Office in Baghdad, and other senior Australian officials met with and briefed Tigris officials prior to meetings with key CPA officials throughout 2003 (Baker, 2006b). Venamore, as mentioned earlier, received government commendation for her 'key role in the successful pursuit of Australia's trade and investment interests'.

Post 'Sovereignty'

Iraqis demonstrated *en masse* in early 2004 and, along with international criticism, pressured the CPA into moving forward the so-called handover of sovereignty to June, 2004. 'Sovereignty' was handed over not to any democratically elected or recognised body, but to the CPA hand-picked Iraqi Governing Council, which became the transitional government on June 28, 2004. The US in particular was instrumental in ensuring that its former CIA agent, Iyad Allawi, would be selected as the interim Prime

Minister. This transitional government then oversaw a complicated CPA-devised caucus system designed to ensure that only, or at least primarily, Coalition sympathisers would be allowed to run in the eventual elections and constitution processes (Docena, 2005a). Already in May 2003, US Defense Secretary Rumsfeld announced that the Bush administration would be installing a regime headed by personnel who 'favor market systems' and 'encourage moves to privatize state-owned enterprises' (Rumsfeld, 2003).

Even if Iraq's transitional government had the inclination to challenge the CPA Orders, their hands were largely tied. The CPA economic orders were embedded in the post sovereign process as the 'Transition Administration Laws', and to be overturned require a two thirds majority approval of any future Legislative Assembly, plus the individual approval of the Prime Minister, President, and both Vice Presidents (Juhasz, 2005). The CPA's neo-liberal orders were incorporated as law in the passage of the October 2005 Iraqi constitution (Juhasz, 2006: 248). In addition, over 200 CPA advisors remained embedded to 'assist' the post sovereign process, and ensure that the CPA economic laws were being implemented (Docena, 2005b). This group included Australia's Tony McDonald, who stayed on as an embedded advisor in the Treasury Ministry, and Darryl Hockey, who remained in the Ministry of Trade. The new government would not even have enough freedom to create its own budget; the 2004-2006 transitional government budget had to be approved by the CPA (Iraq Budget, 2004). That budget had been written largely by Canberra bureaucrats McDonald and Devlin. Literally hours before the official handover, Bremer signed CPA revised Order 17, guaranteeing that the Coalition military and foreign contractors would be immune from prosecution by the new Iraqi government (Pleming, 2004).

One of the CPA's more effective means of embedding these laws into the political and institutional future of Iraq was CPA Order 96, which imposed a Party slate system, which in turn meant that these same Parties could be identified, nurtured, and subsequently controlled, while Parties that did not fit the picture could be eliminated from ever participating. The US put almost half a billion dollars (US\$458 million) towards identifying, creating, and then resourcing those parties most supportive of its agenda, and guaranteeing a favourable outcome (Docena, 2005a).

The ultimate guarantee was the presence of 150,000 Coalition troops, the vast majority American but also including a small and consistent presence of Aussie diggers.

The International Monetary Fund: Hedging Its Bets

The CPA also ensured that Iraq's economy and political decisions would be directly accountable to the World Bank and International Monetary Fund. Within six months of the handover, the unelected US appointed transition government headed by Allawi negotiated the elimination of 80% of US\$40 billion of the total US\$120 billion Iraqi debt accrued under Saddam Hussein. The debt was primarily owed to Russia, Germany, and France – countries that opposed the US-led and Australia-supported invasion. The deal came with conditions, however. While the first 30% was cancelled immediately, cancellation of the next 30% was tied to an IMF economic program, and the final 20% would be granted only after the IMF certified the success of Iraq's adherence to the IMF conditions (Mekay, 2004b). As part of the agreement, Australia 'forgave' the A\$704 million Iraq owed it.

In December 2005 it became clear what type of conditions the IMF would impose on Iraq. In exchange for a US\$685 million loan at that time, the IMF insisted that Iraq remove government subsidies on the price of domestic oil and further open the economy to private investment. Petrol, cooking fuel, kerosene, and public transportation costs increased five-fold as a result, and protests ensued nationwide. Iraq's oil minister, Ibrahim Bahr al-Uloum, resigned in protest at the deal (Rothschild, 2006).

Resistance: Iraqi Federation of Oil Unions

One of the most effective organisations opposing the Oil Production Sharing Agreements and the mass privatisation and enforced neo-liberal CPA policies has been the Iraqi Federation of Oil Unions (IFOU) General Union of Oil Employees, representing over 23,000 Iraqi oil and gas industry workers. IFOU President Hassan Juma'a Awad gave a clear

critique of the Occupation's policies:

When the Occupation troops stood back and allowed Basra's hospitals, universities and public services to be burned and looted, while they defended only the oil ministry and oilfields, we knew we were dealing with a brutal force prepared to impose its will without regard for human suffering. From the beginning, we were left in no doubt that the US and its allies had come to take control of our oil resources... We reject and will oppose all moves to privatise our oil industry and natural resources. We regard this privatisation as a form of neo-colonialism, an attempt to impose a permanent economic occupation to follow the military occupation (Juma'a, 2005).

The IFOU scored an early and important win against the Occupation, when it went on strike against the CPA's wage law. That law set public sector workers at US\$35 dollars a month, whereas foreign workers were earning up to \$1,000 a day. Their strike in August 2003 shut down production for three days, and succeeded in forcing the CPA to nearly double oil sector wages.

Conclusion

The Howard Government has followed US rhetoric regarding the necessity of participating in the Iraq War: that Saddam Hussein had weapons of mass destruction, and dangerous ties to Al-Qaeda, and that the aim is to liberate the Iraqi people and assist them to establish democracy. All these claims have been thoroughly discredited. Through examining its actual role in post-war Iraq, it is evident that the Australian government enthusiastically participated in an Occupation government that broke international law, and that actively prohibited Iraqis from democratic participation in decisions regarding their economic future and control of their natural resources. It was part of a military and administrative regime that forced, via a military occupation, a neo-liberal oriented new state, and helped open up Iraq's markets, particularly in agriculture, thereby creating vast potential profit for Australian corporations.

This involvement is consistent with the Howard Government's neo-liberal emphasis on state expansion of markets. It is difficult to imagine a better example of Connell's critique of the state as a producer of neo-liberal markets than Australia's involvement in Iraqi agriculture. As AusAid itself stated, Australia's taxpayer-funded aid would be used under the CPA military Occupation to 'facilitate Iraq's transition to an open, market based economy'; and Howard said in regards to his government's motivation in hiring Trevor Flugge: 'our principal concern at that time was to stop American wheat growers from getting our markets.' Flugge, Long and others were there to protect, to expand, indeed, to produce an ongoing wheat market and guarantee Australia's share. Their actions stand in stark contradiction to Howard's rhetoric that 'only the Iraqi people are in a position to determine what is in their national interest'.

Understanding how neo-liberalism applies to the Howard Government's motivation allows us to examine Australia's role in Iraq in a new light. Given the ongoing controversy of Australia's involvement in the ongoing tragedy, a new analysis and critique is needed. Under a regime of neo-liberalism, there are apparently few limitations in terms of how far the state will go to secure existing or new markets, in this case a full-scale military invasion. By looking at state motivation in terms of neo-liberal imperialism rather than strictly security, we can better understand why Australia was so determined to play a crucial role in implementing a militarised neo-liberalism in Iraq.

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