Iraq contracts policy bolsters terrorist agenda

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From Dr Thierry Warin.

Sir, Paul Wolfowitz, the US deputy secretary of defence, announced on December 9 a list of 63 countries allowed to bid on Iraq reconstruction contracts. A backlash is now in evidence: Germany, France and Russia will be excluded.

On the economic reasoning side, the argument against this policy is threefold. First, there is a clear confusion between countries and companies; France, Germany and Russia will not suffer, but their multinational companies specialising in construction and infrastructure. Will they really suffer? Thirty per cent of the French and German multinationals are owned by American pension funds. By forbidding these companies access to this new market, Mr Wolfowitz is reducing potential returns to these US stockholders. At the same time, in this global world, French and German stockholders own shares of US companies working in Iraq.

Second, the largest trading partner of the US is the European Union, with volumes in thousands of billions of US dollars compared with Dollars 18.6bn going towards the reconstruction of Iraq. Third, is the US economy benefiting from this market? It is a transfer from US taxpayers to companies that will employ local people, subcontract with European multinationals, including French and German companies, and pay most of their taxes outside the US.
This blacklist is a political move not motivated by sound economic reasoning. On the political side, the argument is similarly threefold.

First, the three countries are banned because they did not support the war. They also decided not to invest money in the reconstruction as long as the command was not in the United Nations' hands. Nevertheless, the EU is financing a share of the reconstruction, meaning that two main contributors of the EU, France and Germany, agreed to finance it but in an indirect manner. Second is political timing: President Vladimir Putin of Russia, stronger than ever after the recent elections, will be supported by its population in any dispute with the US. Third is national security: Iraqis might have expected that it would not be the US Defence Department that would decide the future of the business in Iraq. Ideally, Iraqi companies should benefit even more than US companies. What is the message being sent to terrorists? The US administration is governing Iraq to advance a US foreign policy agenda. Consider a significant motive behind Islamic terrorism: fighting what they consider to be US imperialism. There can be no doubt that the administration's heavy-handed decision will contribute political fodder to those who wish to see an anti-western holy war.

The US is intentionally moving further from the EU, its main trading and financial partner, even as its actions are reinforcing terrorist propaganda. In the theory of games, the best strategy for a weaker player is to try to isolate its opponent; it looks as if Osama bin Laden has trapped the US administration. Are all these points worth a share of Dollars 18.6bn? According to Mr Wolfowitz, the answer is Yes.

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**LOAD-DATE:** December 16, 2003