A Hard Landing for Virtual War: Iraq, Land and Insurgency

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Abstract
Since regime change in Iraq, there has been ongoing violence in the state. Iraq’s natural resources have played a significant part in this violence: they have been poorly administered, are distributed in such a way as to feed into ethnic tensions, and there has been significant corruption. The paper will advocate two moves to improve the political and economic situation in Iraq. Firstly, the paper will argue for the payment of a dividend to all Iraqi citizens, funded by the rent from Iraq’s natural resources. This will help to ameliorate the ongoing violence in Iraq and the ethnic tensions there, reduce the potential for corruption in the state, and ensure that Iraq’s natural resources are used to generate a significant income for their rightful owners: Iraq’s citizens. Secondly, the paper will argue that a relatively minimal Iraqi state should be funded through a land tax drawing on Iraq’s community values: this would offer an effective way to fund government, and incentivise Iraq’s government to build up the state’s communities and economy in order to increase its tax revenue.

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Introduction: an explosive situation

It was, perhaps, an ill omen that – when US-led forces were invading Iraq, to implement regime change – an early problem was encountered when dealing with land mines. Certainly, I will argue below that the ways in which land in Iraq was handled have played and are playing a significant role in the development of an explosive situation there.

In Cobra II – one of the best accounts of the ‘major operations’ phase of Operation Iraqi Freedom – the military journalist Michael Gordon and retired general Bernard Trainor describe Corporal Jeremiah Day and colleagues’ role in clearing mines ahead of US troops as they rapidly advanced towards Baghdad (Gordon and Trainor 2006, 475-476). To clear mines in Iraq, the US generally used Mine Clearing Line Charges (MICLICs). Day’s unit first used one of these charges to try to clear the route ahead of US troops. But it did not explode: as Gordon and Trainor rather dryly put it “the charges were effective when they worked. This one did not” (Gordon and Trainor 2006, 475).

The next stage was a ‘medal of honor run’. The risks involved in this are made clear in the name of the task: the Medal of Honor is a US battlefield medal that is usually awarded posthumously. In this run, Lance Corporal Biamchimano put plastic explosives behind the MICLIC and used a timer to set off the charge.

This did set off the MICLIC. However, this still did not entirely clear the mines: some remained visibly in the way. Corporal Day, along with Sergeant Lauritzen and Lance Corporal Diaz therefore resorted to a rather more basic method of clearing the mines: they picked up the mines to move them, and all that Lauritzen could do is hope that he would not end up as “a pink mist and a memory” (Gordon and Trainor 2006, 476). As Lauritzen and colleagues found out, the mines had been deactivated; however, picking them up to move to them was obviously not an ideal way to test this.

In this episode, one could see the US utilisation of the speed and technology that – as I argue elsewhere – play a significant role in ‘new’ wars (Mendel 2007). The reason why the minefield had been reached so fast, and the speed with which it was cleared was so imperative, was this acceleration of combat. However, what we can also see here is a limitation of virtual war: such ‘advanced’ techniques will still run into certain problems on the ground.
Despite the technology available to them, the rapid US advance towards Baghdad depended in part on some (un)fortunate soldiers finding out if mines were going to explode by picking them up and moving them. Despite extensive US surveillance of the battlespace and widespread use of high-tech and expensive weapons, one aspect of their advance towards Baghdad still depended on the soft flesh of a human hand picking up a mine, leaving Lauritzen unsure whether his hand would still be there seconds later.

It is thus the case that, while some may hope for a move to ‘clean’ virtual war, it is not possible to avoid dealing with ‘messy’ issues on the ground. The terrain on which combat takes place, the bodies of soldiers and civilians, the location of various resources in the battlespace, and a whole range of other factors must all be engaged with. With these issues in mind, the paper will argue that analyses of war and violence today must pay attention not just to the development of virtual technologies and techniques, but also to the ‘grounding’ of such issues in land and natural resources. Despite attempts to move to virtual war, there is still a need to engage with issues in and on the ground. Land is still an important factor in military intervention and in post-intervention governance – whether in terms of how to move across the land without getting blown to pieces in the initial advance of troops, or how to protect and distribute Iraq’s land and resources in the aftermath of regime change.

As with the mines that Corporal Day and his colleagues needed to clear, there is the potential for things in Iraq to explode into ever-higher levels of violence, leaving countless human bodies damaged, destroyed or reduced to a ‘pink mist and a memory’. But there is also – as will be argued below – the possibility of clearing a path to a better future.

The problems in Iraq are not something that ‘we’ can afford to ignore or play down. Since the Carter Doctrine of the 1980s – where President Carter made clear his readiness to use force in order to defend US interests in the Persian Gulf – the realities of the international oil market and the natural resources sited in Iraq have made that Middle Eastern state a place of “vital interests” for the US and for many other societies (Peters 2005, 203). This has contributed to the decades of conflict in the region. There is also, however, the possibility of moving events in much more positive directions. I will show that Iraqi natural and community resources could
play a significant role in any such positive moves – just as Iraq’s natural resources have played a major role in the development of the current extremely unfortunate situation in the state.

Iraq’s land – in its many aspects – is the paper’s focus. The paper will therefore begin by addressing the post-invasion use and abuse of Iraq’s resources, given the significant role that natural resources in particular have played – and are likely to continue playing – in Iraq’s political economy. Having laid out some of the problems with the ways in which Iraq’s resources have been used, the paper will then discuss a potential solution: sharing the revenues from these natural resources among the Iraqi people as a dividend, while funding government through a land tax that draws on Iraq’s community values.2

Why land is important

There has been much excellent work on the importance of an engagement in the battle for ideas – the importance of fighting on a virtual battleground of ideational factors – to the type of conflict now playing out in Iraq and the wider world (see for example Arquilla 2007; Petraeus and Amos 2006; Shaw 2005; Zanini and Edwards 2001, 35-37, 53). Quite appropriately, considerable attention has been paid to the efficacy of insurgent communications and publicity strategies (International Crisis Group 2006; Arquilla 2007; Robinson 2007). There have – also entirely appropriately – been increasing calls for the US-led forces to improve their functioning in this area (Defence Internet 2005; Chiarelli and Michaelis 2005; Petraeus and Amos 2006). This might be seen as a move to conducting wars in the virtual communications/public relations (PR) dimension – a dimension distanced from the realities of conflict ‘on the ground’. However, this would be inaccurate.

In fact, it is important that the presentation of political practices as ethical – something that has become increasingly central to PR around military interventions –

2 While this paper will make a number of recommendations regarding policy in Iraq – and will lay out the expected benefits of these – it should be emphasised that recommendations is all these are. It would be both inappropriate and completely impractical for a British, UK-based academic researcher such as myself to work from home and try to dictate future policies in Iraq; ultimately, the decisions about politics and economics in Iraq should be made by the Iraqi people. There are ongoing debates as to what – if anything – might constitute a legitimate body to make such decisions; however, in whatever way such a body might be constituted, I am certainly not it. I would hope that the policies recommended here would be successful enough that they would become both popular and long-lasting policy. However, it is entirely possible that Iraqis will choose to reject such policies and they do – of course – have every right to do so.
should be accompanied by a verifiable application of the appropriate values ‘on the ground’. For example, even the best PR about going to war ‘for democracy’ can be undercut by practices such as torture or the use of Area Impact Munitions in densely populated residential areas. It will likewise be undercut by the large-scale ‘loss’ and appropriation of Iraqi resources, or their mismanagement in such a way as to cause serious hardship for many Iraqis.

Land – using the word in a broad sense, to refer to Iraq’s natural, common and community resources – thus remains important. It is, as the US Army Counterinsurgency Manual notes, important to examine the “[r]oot cause or causes of the insurgency” (Petraeus and Amos 2006, 1-5). The importance of land is explicitly acknowledged in Iraq’s post-invasion constitution, where the preamble states that “[t]he adherence to this constitution preserves for Iraq its free union, its people, its land and its sovereignty” (Iraqi Constitutional Committee 2005, 2).

Many of the US’s post-invasion plans for Iraq have collided with this situation ‘on the ground’: as John Agresto puts it, in an interview given in Baghdad’s Green Zone, “I’m a neoconservative who’s been mugged by reality” (Chandrasekaran 2007, 4). Neoconservative dreams of ‘clean’ regime change – of regime change which can be implemented using virtual technologies and techniques, without engaging in the messy issues ‘on the ground’ – have found a hard landing in Iraq.

**Iraq, war and oil**

There has been considerable debate about whether or not the invasion of Iraq was ‘war for oil’. Certainly, the presence of such resources in the region has played an important role in the geopolitics of the Persian Gulf. However, a number of reasons (with varying degrees of credibility) were given for war, and – rather than seeking to find the ‘real’ motivation for war – I have found it more productive to analyse how these various reasons and non-reasons for conflict have played out politically. I will therefore analyse how issues around oil have played out in the conflict, instead of focusing on whether this was the ‘real’ motivation for the intervention.

Prior to the invasion, Tony Blair offered a commendably simple answer to accusations of ‘war for oil’:

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3 Saddam Hussein reportedly viewed oil as so important to Iraq’s wealth that – in the run-up to regime change – he “specifically directed [Iraqis] not to destroy the oil fields” (Woods, Pease et al. 2006, 99).
we should make sure, if there is a conflict, in any post-conflict Iraq there is a proper UN mandate for Iraq and that oil goes into a trust fund and we don’t touch it, the Americans don’t touch it without UN authority. Now, we can’t say fairer than that (Blair 2003d).

Unfortunately, this simplicity was quickly overlaid with layers of problematic complexity – significantly changing the way that Iraqi land values functioned in this discourse.⁴

Writing about American realities and values, Baudrillard argues that “gambling itself is a desert form, inhuman, uncultured…a crazed activity on the fringes of exchange…where money loses its value” (Baudrillard 1988, 128). In the US-led invasion and occupation of Iraq, we once again saw a certain fringe of exchange constructed. As will be discussed below, there were all kinds of peculiar activities taking place: for example, large sums of money were used in ways that would have been viewed as unacceptable in ‘normal’ US government domestic economics.

In the confusion around regime change in Iraq, the Coalition Provisional Authority (CPA) did not achieve quite such a radical loss of value – did not quite ensure that Iraqi money and Iraqi resources were stripped of and lost their value – in the deserts and oil wells of the state. However, they did bring Iraq worryingly close to such a situation. On the ‘fringes of exchange’ in the post-invasion economy, ‘only’ 44% of the Iraqi oil that was known to have been extracted under the CPA did not appear to exist as a value or, at least, ‘only’ this proportion of Iraqi oil revenues was left “unaccounted for” (BBC 2005b). As will be discussed below, the parts of the electromagnetic spectrum needed for mobile phone transmission in Iraq were also very much devalued by being sold for a desultory price.

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⁴ In this paper, ‘land’ will be used in the classical sense: to refer to natural resources and community values. For example, the land under our feet is created by nature, as are the natural resources such as oil which are included in this definition of land. Community values – created by the presence and activity of a community, not capital created by individual efforts – are also incorporated into land values. For example, mobile phone rights can only be sold in the presence of a community who want to use mobile phones, but these rights and these parts of the electromagnetic spectrum are not created by the activity of any individual or company. Likewise, there may not be any physical difference between a piece of empty land in central London and the Scottish highlands; however, the land in London can be expected to have a significantly higher rent due to the community values generated by those living and working in the city and by the infrastructure which is in place.
As will also be discussed below, this is very much a devaluing of value in a negative sense – rather than, for example, the type of sharing of value which many Socialist campaigners might hope for. Having been given some devalued resources, companies often seem to lack the incentive to make proper use of the resources that they had been given: this was certainly the case in Iraq. Nonetheless, while a great deal was thus devalued, it did not lose its value altogether: clearly, individuals and companies have continued to compete for and deploy this value in various ways.

Blair’s relatively ‘straightforward’ promise to ensure that the Iraqi people could benefit from Iraq’s natural resources was thus complicated by the lack of a very significant amount of value – more than $8bn of Iraqi funds was “unaccounted for” under CPA rule (BBC 2005b; Gregory 2007; Harriman 2005). Moreover, Iraqi sovereignty was complicated by this: the notionally sovereign Iraqi state did not have sovereign control over its own resources. Coalition violence had been used to gain control over these resources, and was used to maintain this control.

This violence was done in the name of giving these resources to a sovereign Iraqi people. However, when the CPA was put in place, the safeguards against corruption were nowhere near as strong as one would have hoped – meaning that, in the period between the removal of Saddam’s regime and the transfer of power to an Iraqi government, it is unclear what happened to billions of dollars of Iraqi funds. This ‘loss’ of funds and (as will be discussed below) the use of Production Sharing Agreements (PSAs) to limit future Iraqi control over their own resources raise serious problems with claims that Iraq is sovereign – at least, with claims that Iraq is sovereign in a meaningful sense.

The officially appointed auditors of the CPA’s handling of Iraqi resources have, to put it mildly, been critical (KPMG Bahrain 2004a; KPMG Bahrain 2004b; BBC 2005b; Harriman 2005). The CPA did, to their credit, pay Iraq’s oil revenues into a fund to be used for reconstruction; however, as noted above, $8.8bn of this fund – adding up to 44% of the total – is now “missing” or “unaccounted for” (BBC 2005b). Moreover, because the extraction of Iraqi oil was not metered, it is likely that additional oil has been smuggled out of the country altogether (BBC 2005a; Gregory 2007; Harriman 2005). Losing track of 44% of known oil revenues, and not keeping a check on whether additional oil is being illicitly extracted, is clearly a long way from
the “transparency and accountability” which Blair advocates as a vital defence against corruption (Blair 2003c).

Blair has repeatedly insisted that one benefit of Operation Iraqi Freedom will be to give control of Iraqi oil revenues to their rightful owners: the Iraqi people (Blair 2003d; Blair 2003b; Blair 2003a; Blair and Bush 2003). However, flaws in the CPA accountancy procedures make it – for all practical intents and purposes – impossible to verify whether or not the Coalition implemented this pledge. It is as if much of this money and many of these resources somehow ceased to exist as values in the course of war and occupation. Moreover, as will be discussed below, a great deal was given away in particularly ineffective ways, which substantially devalued these gifts.

This rather peculiar loss of value has continued after the end of the CPA: one might note, for example, the shocked interviewees on the BBC’s *Baghdad Billions* documentary describing how the oil extracted in Iraq was not being metered (Gregory 2007). When certain values have (at least partially) ceased to exist as values, there can be a number of issues and interests which prevent them from being revalued. Iraq’s resources should be properly accounted for, but have not been.

**Misuse of resource revenues**

Further worsening the situation, the CPA handled badly those Iraqi funds that did not go missing. A high proportion of reconstruction contracts were awarded without competitive tendering and “the bulk of contracts paid for with Iraqi oil money went to Halliburton subsidiary Kellogg, Brown, & Root with no competition” ([Open Society Institute & Soros Foundation Network](http://www.opensociety.org)) 2004). There is also evidence of bribes having been demanded, and of foreign companies employed to do the ‘reconstruction’ of Iraq hugely inflating their charges (BBC 2005b; Gregory 2007). As Revenue Watch puts it, the CPA unfortunately “chose not to apply the same standards that apply to U.S. funds” to Iraq’s resources ([Open Society Institute & Soros Foundation Network](http://www.opensociety.org)) 2004).

We can see here that issues of retribution and justice are also raised. If large amounts of resources and money are stolen from a sovereign state, then that state would generally look to take action against those responsible. If Blair’s assertion that these funds belong to a (sovereign?) Iraqi people is accurate, then there is a strong
argument that representatives of this people should be able to investigate what happened to these funds, and able to punish those who misappropriated them. If – as claimed by the CPA and by the US and UK governments – Iraq had a right to the revenues that the CPA was spending, then Iraq should also have the right to punish those responsible for the misallocation. If corruption or criminal negligence was involved, Iraq should be able to bring those responsible to trial so that they can face their punishment (in much the same way as would happen if $8bn of British or American government money was found to have gone missing).

While the “self-determination of peoples” is key to the type of relationships between sovereign states envisaged by the UN Charter (United Nations 1945, 2), corruption since the invasion has stripped the ‘Iraqi people’ of the ability to determine what use is made of ‘its’ resources. If the Iraqi state is to be ‘sovereign’ in any conventional sense of the word, its dominion over its resources will need to be restored. Issues of retribution and compensation are also likely to come into play.

**Appropriation of resources: Production Sharing Agreements**

There are currently moves to allow oil companies to access Iraq’s resources through PSAs. As PLATFORM (a London-based NGO seeking social and ecological justice) defines it, a PSA is:

> A contract between a multinational oil company and a host government, in which the corporation provides capital investment, in exchange for control over an oilfield, and access to a large share of the revenues from it (PLATFORM 2007).

These agreements are relatively long-term: as PLATFORM note, a period of 25-40 years is usual. While they notionally allow states to retain ‘ownership’ of their oil resources, it is debatable whether this is actually the case. PSAs involve:

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5 These PSAs will also have wider regional effects: a significant aspect of Iraq’s future relationship to OPEC will depend to what extent it is in control of the oil there, and to what extent the US enforces privatisation (El Mallakh 2005, 121-123). There are questions – if Iraq is able to increase its oil production significantly – of whether OPEC will be able to absorb this successfully (Franssen 2005, 91).
A change of language, describing the state as ‘owner’ and the foreign company as ‘contractor’, but [are] in practice mostly equivalent to the old-style concession agreements (PLATFORM 2007). 6

US Multi-National Companies look likely to dominate these PSAs; these companies could thus come to dominate Iraqi oil production (Everest 2004, 264). These agreements are not the norm in the oil industry: they account for only about 12% of the world’s oil reserves, generally in countries with small oil fields (unlike Iraq) (Coates 2007, 4).

PLATFORM therefore argues that the important issue is not so much whether Iraq’s oil reserves are technically privatised or publicly owned, but who gets the income from these reserves. As shown above, the Iraqi people have failed to see the benefit of much of the income from their oil reserves. PSAs could worsen this situation further, and do so in a way that ensures that Iraqi oil will be exploited on unfair terms for longer than a generation.

There is a genuine need to draw investment money into Iraq in order to develop the state’s oil production facilities: these have been degraded and damaged by war and sanctions, over a considerable period (Quin 2000, 82-87). 7 However, doing this through PSAs will have a number of disadvantages.

PSAs are long-term arrangements. Given that the current Iraqi government faces concerns about and challenges to its legitimacy, this is a particularly inappropriate time for it to contract away a substantial part of Iraq’s oil wealth for an entire generation. Discussing strategic options for the utilisation of Iraq’s oil, Franssen emphasises that a legitimate, elected Iraqi government is needed in order to set out effectively the relationships between host country and those extracting and buying the oil: even for shorter-term agreements, government legitimacy is an “essential pre-requisite” (Franssen 2005, 95-96). 8 Therefore, while contracting away resources for long periods is inherently problematic, the current situation in Iraq makes PSAs even more worrying than would usually be the case.

6 There are interesting parallels here with earlier British colonisation of Iraq, where land tenure was established in such a way as to maximise revenue while also maintaining a degree of stability (Dodge 2003b, 101-104).
7 Although the US reportedly planned to occupy Iraqi oil facilities when invading – and very quickly get production going again – this aspect of US planning was very much a failure (Klare 2004, 99).
8 Previously there were concerns about the status of contracts in Iraq completed under Saddam’s regime and under international sanctions (Turck 2001, 3-4).
The Iraqi government’s lack of legitimacy and efficacy is causing serious problems in the state: for example, the government needed to resort to paying tribes and other groups in the hope of protecting oil pipelines from insurgent sabotage; this rather desperate tactic was only partially effective (Herring and Rangwala 2006, 214). In Iraq, it is often the case that “the fragments have more power than the central authorities” (Herring and Rangwala 2006, 276). If “[e]ven when the Iraqi state acts coherently, it is not necessarily as a representative of Iraqi interests” – for example, it sometimes “functions to enforce compensation demands on Iraqi society for Iraq’s invasion of Kuwait” – this will, once again, make it harder for the Iraqi state to maintain an impression of legitimacy (Herring and Rangwala 2006, 253).

Moreover, this is a very poor time for the Iraqi government to be negotiating such deals because it is in a rather weak negotiating position. As well as the aforementioned issues with legitimacy and corruption, the government is currently struggling to deal with an armed insurgency. The Iraqi Government depends on oil revenue for funding much reconstruction work, and for responding to some of its economic and political problems. The Iraqi government is also very dependent on US-led military and other support.

Oil companies are thus in an excellent position to negotiate deals that are good for themselves, and poor for Iraq. While the Iraqi government may be under pressure to enter into PSAs (in itself, a sign of the government weakness which means that this is a particularly bad time for them to enter into PSAs), entering into such agreements will cause serious problems. Especially if these PSAs are poor deals, they will not be well tolerated: their legitimacy will be seriously challenged, with some justification. For this Iraqi government – facing serious challenges to its legitimacy – to negotiate such long-term agreements is going to leave these PSAs extremely open to challenge: one should bear in mind the lesson of how post-invasion Iraq was able to cast off some of the unfavourable arrangements negotiated by Saddam Hussein’s regime.

PSA’s alienate Iraq’s resources from its people. Those engaged in violent and other forms of resistance would feel justified in challenging PSAs negotiated under the current conditions. There are a number of violent networks currently active in Iraq, and one should expect a number of them to work to destabilise Iraq and to
bring these arrangements (and, perhaps, the government responsible for them) to an end.

The airwaves: mobile phone rights

It is not just Iraq’s oil that was exploited: the electromagnetic spectrum there was also exploited and devalued. A further leeching of value can thus be seen in the ways in which the mobile phone spectrum in Iraq was disposed of. The UK government was able to auction off a 20-year lease on certain electromagnetic frequencies in the UK – those required for 3G mobiles – and to its surprise got much more than was expected: almost GBP22.5bn (Morris 2004). The awarding of mobile phones licenses in Iraq followed a rather different pattern – licenses were offered at strikingly low prices. One example is the license that the CPA granted to Sena Tell – a Northern Iraqi company – to operate across certain frequencies. The price of the license worked was approximately $150,000 per year (Coalition Provisional Authority 2004, 1). This is startlingly low, given the area of coverage (Coalition Provisional Authority 2004, 24). Even if one takes into account the disorder in Iraq, the country was still a promising market for mobile phone operators: to an extent, the disorder in the country (and issues that this raised regarding fixed-line communications) actively increased the desire for mobile phones.

This sort of arrangement looks bad in itself – giving valuable Iraqi resources to a private company, for a surprisingly low payment. Without a transparent tendering process, it is also unclear why some companies have been blessed with such generous contracts while others have not. Once again, this raises concerns about corruption.

However, this is an unfortunate situation for additional reasons. At first glance, some might hope that this leeching of value – this widespread devaluation – holds out real hope for the future: for example, it might be supported in order to allow Iraq to move towards a more socialist political system. However, this has not been the case. Instead, a devaluing of the resources sold and/or given away gave the companies involved extremely little incentive to use them effectively.

In the case of mobile phones, the network was not installed to the desired standard. This meant that important services (like communications with and for the emergency services) did not work correctly (Stockman 2003). While one might
expect the companies who were gifted such favourable licenses to operate cellular phones to have been very grateful, and to have ensured that they provided a good service, in some cases they have failed to even offer an adequate service. This is thus an especially negative devaluing of value.

**Sectarian tensions, resources and Iraq’s constitution**

Aspects of Iraq’s constitution – such as a three member Presidential Council designed to accommodate Iraq’s three largest ethnic groups – have themselves worked to embed sectarian divisions (Diamond 2005a; Diamond 2005b, 152 and 169-171). Resources play a significant role in this: in particular, the division of oil revenues. The Iraqi Constitution states that:

The federal government with the producing governorates and regional governments shall undertake the management of oil and gas extracted from current fields provided that it distributes oil and gas revenues in a fair manner in proportion to the population distribution in all parts of the country with a set allotment for a set time for the damaged regions that were unjustly deprived by the former regime and the regions that were damaged later on, and in a way that assures balanced development in different areas of the country, and this will be regulated by law.

The federal government with the producing regional and governorate governments shall together formulate the necessary strategic policies to develop the oil and gas wealth in a way that achieves the highest benefit to the Iraqi people using the most advanced techniques of the market principles and encourages investment (Iraqi Constitutional Committee 2005, 28).

This may sound innocuous, but this part of the constitution has been interpreted as “leav[ing] current oil and gas fields under the control of the national government but give the regions control of any new finds” (Diamond 2005c). These new finds are very likely to be significant. As a former Iraqi Oil Minister observed, due to under-development of Iraq’s oil facilities “[t]he probability of new discoveries
is much higher than in other countries” and it is likely that less than half of Iraq’s oil reserves are currently known (Al-Chalabi 2001, 4). Some estimates of currently drilled reserves are as low as 20% (Quin 2000, 93).

As Le Billon notes, in “a worst-case scenario, resource revenues monopolized by a corrupt elite or squandered by mismanagement justifiably feed grievances amongst marginalized groups” (Le Billon 2005b, 6). Due to where the different ethnic groups are predominantly (though far from exclusively) located in Iraq, “[g]iving regional governments control of all new fields would deprivethe [sic] Sunni provinces of their fair share of resources” (Diamond 2005c). As Klare argues, geography thus constrains the utilisation of oil: reserves are concentrated in relatively few areas, but oil and the associated revenues are needed far more widely (Klare 2001, 44). As Dodge puts it, describing the structure of Iraqi society under Saddam, “[f]or patronage to work, for it to be effective in guaranteeing loyalty and obedience, it needs to exclude many more people than it benefits. Thus, the resentment of the excluded is a constant feature of all types of Iraqi politics” (Dodge 2003a, 66).

In Iraq, as Hashim observes, “there are political elites…who are definitely bent on the ‘social construction’ of ethno-sectarian hatred of the Other for a variety of reasons including mobilisation of their political base” (Hashim 2006, 351). Certain aspects of how the constitution deals with Iraq’s resources offer considerable assistance to those with such goals.

Such factors – along with the role of oil in the international economy – must be considered in order to build a useful account of the part that oil plays in conflict. While “the geological reality – the existence of oil and gas – will remain unchanged in the foreseeable future”, oil plays such a major part in conflict because of its social context and not just its intrinsic properties (Paniguaian 2005, 24). This has been and will be the case in Iraq: the presence of oil in and of itself has not generated violence in the state – there is nothing intrinsic about this black liquid in the ground which causes conflict – but the ways in which oil has been used and desired have generated a great deal of bloodshed. Therefore, as O’Lear and Diehl argue, “analysis must go beyond identifying the place(s) where an armed conflict is occurring and the actors who are directly involved in the fighting. It is also essential to assess relational dimensions of natural resources that enable, support, and motivate the conflict”
(O’Lear and Diehl 2007, 169). We need to map the geopolitics of resources and resource conflict in Iraq, in order to begin to understand and engage with the troubled situation there.

**Addressing the ‘resource curse’: broad issues**

The idea of a ‘resource curse’ is controversial and problematic: while researchers such as Le Billion note that “compared to less well-endowed countries, resource-rich countries have been on average poorer and less competently governed”, others such as Harrison point out a number of exceptions to this ‘curse’ (Harrison 2008, 40; Le Billion 2005a, 7). What I would emphasise is that, even if one accepts for the sake of argument that (certain types of) resources are correlated with worsened outcomes, correlation does not necessarily imply causation. This apparent ‘curse’ is not due to any intrinsic quality of resources: for example, black liquid in the ground does not in itself cause poverty and corrupt governments. Instead, this ‘curse’ is caused by the way that resources play out in various social and political contexts. It is therefore something that can be changed. As Harrison puts it, “[n]ature’s resources do not curse anyone. Rather, the curse flows from bad stewardship of the public domain” (Harrison 2008, 118). Improving the stewardship of the public domain has the potential to turn this ‘curse’ into a blessing.

When looking to address this ‘curse’, one promising form of resource distribution would be to “distribute revenues directly to the people” (Le Billion 2005a, 55). This leads me to Sala-i-Martin and Subramanian’s paper *Addressing the Natural Resource Curse: An Illustration from Nigeria* (Sala-i-Martin and Subramanian 2003). Seeing the problems caused by Nigeria’s oil resources, they “propose a solution for addressing this resource curse which involves directly distributing the oil revenues to the public” (Sala-i-Martin and Subramanian 2003).

Sala-i-Martin and Subramanian argue that, in Nigeria, “[i]t is the lobbying for and allocation of the rents associated with [point source] resources which is detrimental to economic and political institutions” (Sala-i-Martin and Subramanian 2003). In other words, it is not resource rents — in Nigeria’s case, the income generated from the exploitation of natural resources — in themselves which are damaging. What has negative effects is the way in which private actors compete to
appropriate the revenues from certain types of resources, and the degree to which public actors are remiss in protecting public value.

So long as Nigeria remains an oil economy with poor stewardship of the public domain there will thus be problems with different actors vying to get allocated parts of the resource rents: using corruption, violence and other techniques. Sala-i-Martin and Subramanian therefore argue that it would be beneficial to transform Nigeria into a ‘non-oil’ economy. One way to do this is to prevent government officials from appropriating the oil-resources directly. These resources should be distributed directly to Nigerian citizens, ultimately their true and legitimate owners. This would replicate or simulate a situation in which the government has no easy access to natural resource revenue (Sala-i-Martin and Subramanian 2003).

Sala-i-Martin and Subramanian have a specific mechanism in mind for doing this: they advocate an inalienable right of each Nigerian to have access to an equal share of oil proceeds. This would take the rents out of public officials, thereby undermining the corroding process engendered by the rents, which have detrimental economic consequences (Sala-i-Martin and Subramanian 2003).

This would also give individual Nigerians a substantial income: in 2003, Sala-i-Martin and Subramanian estimated $425 per capita (Sala-i-Martin and Subramanian 2003).

Sala-i-Martin and Subramanian argue that “[o]urs is a proposal for Nigeria but it is applicable more broadly to all countries that are afflicted by the natural resource curse” (Sala-i-Martin and Subramanian 2003). They also suggest that Iraq is a promising candidate. As will be shown below, this is a compelling suggestion: I will consider how and why their proposal is applicable to Iraq.

There is a need for significant reconstruction in Iraq: the state’s institutions were close to collapse prior to regime change, and the war and disorder pushed
them still further (Dodge 2006, 212). As shown above, corruption has been a serious problem in Iraq: perhaps, in recent years, even more so than in the case of Nigeria. Even if an alternative way of dealing with oil rents were put in place, there would still be a need to deal with some aspects of this corruption: for example, to meter the oil effectively as it is extracted. However, Sala-i-Martin and Subramian’s hope that the move to giving resource revenues to individuals would reduce corruption is still plausible and promising in the case of Iraq.

In Iraq today, a great deal of the corruption takes place once funds have been paid to the government: as shown above, an unacceptable proportion of moneys have been lost, and there is not an adequate monitoring system in place. If the income generated from Iraq’s oil (and other natural resources) was paid directly to individuals/families, this would mean that this potential for corruption would at least be somewhat reduced. There are significantly fewer levels at which corruption can take place, and once individual Iraqis have been paid the income from resource rentals they can determine for themselves how to spend it. The available evidence suggests that, by and large, individuals and families would do this rather effectively (Hanlon 2004).

This move would also bring greater transparency regarding payment levels: while 40% of Iraqi funds may be able to ‘disappear’ when these are part of the government budget, the ‘disappearance’ of such a substantial proportion of an individual’s dividend will be more noticeable and more likely to be noticed. Such losses would be poorly received by the public: if someone’s dividend is significantly smaller than it should be, they will be likely to object.9 This could be a very positive thing: as Le Billon argues, in order to avoid resource conflicts there is a real need to move to “focusing on transparency…and the change in the culture of impunity in international resource trade” (Billon 2004, 23).

Currently, as already noted, there are considerable ethnic tensions developing in Iraq. Arguments about the distribution of resources clearly play a role here and, as discussed above, there is the potential for issues around the distribution of

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9 One should acknowledge that this ‘should be’ will, at least to an extent, be based on the levels of resource extraction recorded by the government or other monitoring body: there is, alas, still the potential for corruption. However, there is already some public domain information on the potential rental income which can be generated by Iraq’s natural resources, and more information is likely to emerge as the situation in the state improves. This will serve to limit – to a certain extent – the potential for corruption in the monitoring body: an unrealistically low assessment of income from Iraq’s resources is likely to be challenged.
resources such as oil to considerably exacerbate tensions in the future. The individualisation of resource revenues could play a significant role in ameliorating tensions around resource distribution, and thus play a major role in the amelioration of the ongoing violence in Iraq and the move towards a better future for the state. While resources and resource rentals will still play a prominent role in Iraqi politics, the issue could be shifted from how much Sunni, Shia, Kurdish and other groups and local governments can take from these revenues to how much each individual or family can get. Instead of incentivising competition between groups for resource revenues, there would then be a real incentive for individuals to work to maximise the dividend earned by everyone. This would be a kind of individualism, but one which has the peculiar effect of incentivising people to work together.

As with Sala-i-Martin and Subramian’s proposal for Nigeria, administering resource rents in this way in Iraq would also have the benefit of moving the Iraqi government away from depending upon the revenues from natural resources. Whereas – currently – a number of state and sub-state public actors depend on oil revenues in order to fund their day-to-day activities, distributing resource rents to individuals will force these public actors to move towards alternative revenue sources. As Cordesman argues, a significant problem with the status quo is that the Iraqi state depends on an oil income which “is grossly inadequate to meet current and future needs” (Cordesman 2004, 8). Paying natural resource revenues to individuals will force a move away from oil as a key state revenue source: the state will be forced to find alternative revenue streams.

Currently, the Iraqi government is able to depend on revenues from oil and other natural resources for a substantial proportion of its income. This fails to offer it sufficient incentive build up Iraq’s community values (for example, by developing its economy). While oil’s value depends on a particular economic and social context, the context which determines this value is largely constructed at the global level. If Iraq’s economy were to deteriorate even further, this would not (aside from potential problems with extraction and export) reduce the resource revenues that the government could receive from oil. Iraq’s government thus has the ‘benefit’ of a

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10 As Auty argues, “[t]he higher rent of oil-rich countries...increases the subsidies available to the protected sector” in many countries (Auty 2004, 39). In Iraq, this ‘protected sector’ is perhaps more diverse than in more established oil economies – for example, taking in part of the ‘black market’ – but Auty’s point still applies.
revenue stream that can be maintained even while many aspects of the state's economy and society are in a process of collapse.

My concern about a government reliance on natural resource revenues does not mean that I am advocating a move to taxes such as income and sales taxes: among other problems, these taxes have a negative impact upon productivity and there are significant problems regarding collection (which are very much exacerbated by the unstable political situation in Iraq) (see Foldvary 2004; Gibb and Law 1997; Wetzel 2004). Instead, I would advocate a land tax drawing on Iraq's community values, in conjunction with the aforementioned natural resource dividend.

This is a promising option in Iraq, for a number of reasons. I would expect that the payment of a dividend from Iraq's natural resources will allow individuals to fund a number of services which would typically be offered by the state (although which are, because of the current problems in Iraq, frequently are not offered to a good standard by the Iraqi state). Resulting improvements to the Iraqi economy would generate greater community values: for example, the rent of residential and commercial land would rise as more people wanted to live, work and trade in particular areas. A more type of land tax could be used to draw on these growing community values, in order to fund what would initially – by necessity – be a fairly minimal government, alongside which a natural resource dividend allows many Iraqis to buy certain services for themselves. There are also promising options for drawing on other community values: for example, the aforementioned rights to operate mobile phone systems in Iraq could be rented to interested companies at a market rate. The move to such a land tax could, as Dave Wetzel argues (in the context of the UK), allow the elimination or reduction of damaging taxes such as income tax (Wetzel 2004).

This land tax would have a number of benefits. It would generate a certain level of income for the government, without the negative effects of other taxes. Moreover, as noted above, a land tax would be is easier to collect than many alternatives: land is rather hard to hide or smuggle. As Wetzel puts it, “land cannot be taken to Jersey in a suitcase. Consequently, [land tax] will be cheap to collect” (Wetzel 2004). This tax would also give the government a real incentive to continue
working to build Iraq’s communities and economy: as this development takes place, land values and therefore tax income would increase.

Although I suggest a relatively minimal Iraqi state, this is – as noted above – clearly not my choice to make. However, as argued in this article, I would both hope and expect that a dividend payable to Iraqi citizens from resource rents – and land tax drawing on community values to fund government programmes – would have a sufficiently positive effects for them to be popular policy options for the indefinite future.

The suggested system of distributing oil revenues would also help to build a sense of Iraq as a state: while the state’s revenue would be limited by such a move, a dividend paid from resource rentals to all Iraqis would play a valuable role in building a positive conception of what it is to be an Iraqi citizen. As well as the aforementioned common interest in boosting productivity, this would build a sense of ownership of and entitlement to the value of the country’s resources. Instead of Iraq’s resources being parcelled off to a corrupt CPA and then to an Iraqi government (with issues with corruption, and facing concerns as to whether or not it adequately represents any or all of Iraq’s population), the resources would be given directly to the people. As Sala-i-Martin and Subramanian put it, this would mean that resources would go to “citizens, ultimately their true and legitimate owners” (Sala-i-Martin and Subramanian 2003). This would lead to a sense that revenues were being legitimately shared and used, and help to build a stronger sense of what it is to be an Iraqi citizen.11

Addressing the ‘resource curse’: two specific issues

There are, clearly, a number of legitimate concerns about – and alternatives too – what I suggest above. I will therefore address two significant specific issues below.

Firstly, it has been suggested that an Iraqi Sovereign Wealth Fund – similar Alaska’s Permanent Fund – might be used to invest Iraq’s oil rents (Cohen 2004). The income from such a fund could then be used to pay a dividend to Iraqi citizens. I

11 These moves may also work as a disincentive to military intervention in Iraq: if there was an established system where the revenues from oil and other resources were paid to individual Iraqis, this could reduce the benefits (potentially) associated with intervention. Any occupying power would expect to face even more hostility than ‘usual’ if they tried to appropriate these resource revenues or introduce a suboptimal approach to the production and sale of Iraqi oil.
certainly have no principled objection to such a fund, and would follow Harrison’s argument that that Alaskan Permanent Fund can be viewed as a model of good governance (Harrison 2008, 118). However, given the current hardship in Iraq and the complications that would be involved in setting up an Iraqi Permanent Fund in the current climate, I would recommend payments of dividends directly from resource rents – at least in the short-term. In the medium- and long-term, the investment of all or part of these rents in a Permanent Fund would be a very prudent option. However, how this money is used is clearly a decision to be made by Iraqis.

Secondly, a move to distributing Iraqi oil revenues – and other natural resource revenues – directly to the Iraqi people would clearly deprive the Iraqi government of a significant proportion of its income. As argued above, making the government seek its income from other sources (such as a land tax drawing on community values) would have advantages in the medium-term. However, this would cause a short-term shortfall in government income. There are a number of promising ways to deal with this shortfall.

Initially, I would emphasise the obligation on those states that have damaged Iraq through warfare to pay reparations for the damage caused, with these reparations being used to help fund much-needed reconstruction. As Naomi Klein argues, it is absolutely not appropriate for ‘us’ to move on from the US-led intervention in Iraq – to seek ‘closure’ on this issue – while the bloody consequences of that intervention are still unfolding (Klein 2004).

Moreover, given the problems currently faced by the Iraqi state, a relatively minimal state appears to be the most promising option – at least in the short-term. By using natural resource revenues to provide citizens with a significant additional individual income, citizens would be enabled to fund certain services for themselves: allowing them to supplement services which the Iraqi state is currently doing an inadequate job of supplying, or even allowing the state to withdraw from providing these services. In the medium-term, there would of course be a decision to be made regarding what services Iraqis want to be provided by their state.

A final option would be for the moves to using natural resource revenues to pay a dividend to citizens and a land tax to fund government to be implemented gradually: increasing the percentages of the rentals from natural and community
resources which are used in this way on a year-by-year basis. While this would be expected to delay the benefits of such policies, it could also help to ease the transition.

**Generating income**

As we near the end of this paper, I would emphasise one further significant benefit of the dividend scheme recommended here: it would provide a very significant income to individual Iraqis. While there are multiple causes of the current violence in Iraq, financial hardship plays a clear role. One might note for example the problems caused by the post-invasion dissolution of the Iraqi army: a number of trained, armed men were made unemployed, and the resulting financial hardship was part of the reason that many of them went on to participate in the violence in Iraq (Gordon and Trainor 2006, 586-590; Hilton 2003; Keegan 2004, 210; Slevin 2003; Struck 2005). There are also reports that financial incentives have been used to encourage Iraqis to attack US-led forces in Iraq (Rayment 2008). This would be a less effective tactic for insurgent groups and other actors if a dividend paid from the Iraq’s natural resources provided all citizens with a reliable income: generally, people who have a secure income are less susceptible to financial incentives to do dangerous (potentially fatal) things.

Calculating the potential income which Iraqi citizens might reasonably expect to receive from their country’s resources is not straightforward. It is hard to know precisely what resources Iraq has. Transparency has not been central to any of Iraq’s governments, and resources such as oil have been under-utilised (meaning that it is very likely that more reserves will be discovered in the future). I will concentrate here on oil when calculating current individual income and oil and natural gas when considering potential income: Iraq’s reserves are large enough that, even if a lot of unmetered oil has been extracted and stolen, the remaining reserves will be sufficient to fund a significant individual income for some time to come; the proper use of any additional natural resources would be a benefit over and above the figures I set out here.\(^{12}\)

\(^{12}\) This could be a very significant ‘benefit’, as natural gas sales are becoming more important. As Prince Faisal bin Turki bin Abdul Aziz al Saud observed in 2001, “[i]n earlier days, in particular prior to the 1970’s our energy industry was comprised of a single energy source, Oil” (al Saud 2001, 2). However, rising energy prices mean that gas is now a major part of the energy industry: to the extent that Saudi Arabia has invested in a $13bn project to start using this resource (al Saud 2001, 2).
The US Department of Energy estimates Iraq’s proven oil reserves at 100bn barrels; estimates for reserves yet to be discovered range from 45-100bn barrels (Energy Information Administration 2007). Especially bearing in mind that fossil fuel prices will almost certainly tend upwards, this is an incredible abundance of resources. Iraq’s natural gas reserves will also be significant: known reserves stand at 112 trillian proven cubic feet, with perhaps another 150-90 trillian cubic feet to be discovered (Energy Information Administration 2007). As the Project for Defense Alternatives note, Iraqi oil income previously ranged from $10-12bn year (with black market production and sales potentially adding another $2bn) and it would be possible to more than double production with proper investment (Conetta 2003). Exporting oil at near to capacity could thus allow approximately $8-900 per year basic income for all of Iraq’s 28 million citizens.13 This is before natural gas and other resources are taken into account.

In 2003 the UN estimated that the average Iraqi income was $450-610, and was falling (Schifferes 2003). In 2006, Iraq suffered unemployment levels of 18-30% (Central Intelligence Agency 2007). In addition to the aforementioned oil income, Iraq’s other natural resources – in particular, its natural gas reserves – could, if properly managed, generate considerable extra revenue.14 Even at current, very limited production levels, resource revenues would thus be a very significant contribution to individual income. Moreover, as suggested above, I would hope that a virtuous circle would arise: where reductions in hardship and improvements in other areas themselves allow increased stability, and therefore increased extraction/export of Iraqi resources (and increasing income from other sources). To continue and complete the virtuous circle, this process could itself lead to a further improvement in the political and economic situation in Iraq.

Conclusions

As shown above, the ways in which Iraq’s resources have been used and abused have very much played into the post-invasion disorder in the state. This has materially weakened the state, and played a major role in delegitimising both the CPA administration of Iraq and the subsequent the Iraqi governments. Moreover,

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13 Population figures are taken from the CIA World Factbook (Central Intelligence Agency 2007).
14 For example, Iraq is in the process of joining the Arab gas pipeline project, to profit more from its natural gas and to link Iraq with Egypt, Jordan, Syria and Lebanon) (Iraq Directory 2007).
the previous and ongoing removal of many Iraqi resources from *de facto* Iraqi control have gone so far as to raise questions about whether or not this country and this government are sovereign.

I have advocated an alternative way of distributing Iraqi resources: using a dividend to distribute revenues from Iraq’s natural resources directly to the Iraqi people, while funding the business of government through a land tax which draws on Iraq’s community resources. This would have a number of practical advantages: it would provide Iraqis with a valuable individual income, help to ameliorate ethnic tensions, keep money out of the hands of corrupt actors in the government and other bodies, and make the Iraqi government draw more on community rents as opposed to natural resource rents. It would also sit well with a more ethical approach to politics and resource governance: Iraqi natural resources would be directly placed in the hands of the Iraqi people, and the way in which this was done would itself serve to make it harder for occupying powers and corrupt officials to misappropriate these resources in future. Using a land tax on community values to fund government activity would both help to fund essential services and incentivise the government to work to build Iraq’s community values, while avoiding the damaging effects and collection problems which are associated with other taxes. These changes could therefore bring both immediate and ongoing benefits to Iraq.

The introduction of a natural resource dividend and a land tax thus offer real hope for the future of Iraq. This is in stark contrast to the ongoing violence which is the status quo. While Iraq is currently serving as a hard and bloody landing for Neoconservative dreams of ‘clean’ virtual war and regime change, there is great potential for this land – Iraq’s natural and community values – to be used to build a better future for Iraq.

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