

Global View/ By George Melloan

Grey - Sep 10/02

Oil Could Be Made a Direct Benefit to the Iraqi People

George W. Bush has mentioned repeatedly that Iraq's oil belongs to the Iraqi people and will be used for their benefit. This has been mainly a response to claims by the French and Russians that the U.S. and Great Britain are fighting a war to get their hands on the vast Iraqi reserves.

This is the only explanation for the war that would make sense to Russian and French politicians, who have been trying for years to capture Iraqi oil concessions. Doing favors for Saddam Hussein, at the expense of the United Nations sanctions, has been very much a part of that endeavor. By painting Mr. Bush and Tony Blair as oil grabbers as well, they have attempted to establish a certain moral equivalence that would diminish public disgust at their own cupidity.

They have in fact had quite a lot of success in persuading the global antiwar movement that this war is all about oil, not about Saddam. But then the antiwar movement is predisposed to believe the worst of the Americans and the Brits, so that wasn't very hard to do.

Mr. Bush could, however, have done a better job of countering the expert propagandists in Paris and Moscow. He could have explained, for example, in what way the oil revenues could be diverted from Saddam's palaces and arms caches to the ragged Iraqis trying to subsist in a moribund, albeit oil-rich, economy. What does he really have in mind for causing those revenues to yield real benefits to the Iraqi people?

One reason for the lack of specificity has to do with another Bush promise, to turn the government in Baghdad over to Iraqis as soon as possible. Saying explicitly how the money should be used might

sound like a pre-emption of the prerogatives of the new government, whenever it comes into being.

On the other hand, the U.S. and Britain should keep in mind that they are entitled to some prerogatives. Iraqi politicians, some of whom have spent most of their lives outside the country, wouldn't have the prospect of high office were it not for the huge expenditure of U.S. and British treasure and blood to destroy Saddam and his evil Baathist regime. Whatever the coalition forces do in postwar Iraq, they will be criticized by the usual harpies for usurping power, practicing colonialism and engaging in unilateralism. So why not do nation building right, rather than kowtow to all the people trying to take over decision making?

Iraqi oil can be put to the service of the Iraqi people in a quite simple way. I am indebted to a Web site called Instapundit for a proposal on how this could be done. An essay written by an investment company employee who prefers to remain anonymous argues that some oil money go directly to Iraqis.

This would be done through an investment trust set up along the lines of the Singapore Provident Fund and other trusts operated by governments for the benefit of the population at large; only in this case Iraqis could have access to their fund before retirement. He proposes that the "Iraqi People's Freedom Trust" be funded with a large share, perhaps 50%, of Iraqi oil earnings. "Each Iraqi—man woman or child—would be eligible for a personal investment account once they register as a citizens of the new Iraq."

Given modern computers and means of identification, such a broadly beneficial trust is clearly feasible. It can hardly

be doubted that it would be immensely popular, freeing ordinary Iraqis of the poverty that has been their lot under Saddam: It would create loyalty to the new government and reduce the chances for tribal feuding. It would create a cash flow directly into the economy, supplying the means for both investment and consumption. Not incidentally it would send a clear message that Mr. Bush meant exactly what he said when he asserted that the oil belongs to the Iraqi people.

Would such a marvelous idea be easy to put into practice? No, it would not. The French and Russian willingness to protect a despotic regime demonstrates the power that visions of oil riches hold over men's minds. It is doubtful that Iraqi politicians, even if they are democratically elected, will be immune to these visions. They will be able to think of hundreds of ways those revenues can be "better" used, meaning that under the control of the regime, they could be used to finance patronage schemes. Why run for office if you can't get your hands on a lot of money in the process? As James Madison so correctly observed when the U.S. was struggling to its feet, "Men are not angels."

Nations have been ruined by having a guaranteed cash flow from oil. The politicians simply aren't faced with the need to create a climate in which businesses unrelated to oil can thrive. The chaos

that is now Venezuela, born out of past corruption that led to the election of a left-wing tyrant, is an excellent example. The main objective of Caracas regimes has been to reward political followers and hangers-on. In short, oil money frequently builds corrupt political machines.

To avoid this kind of outcome, the Westerners in charge of Iraq's rehabilitation will have to make it clear to aspiring leaders that for the time being a military administration will be in charge and will make key decisions. They will also have to make that clear. If it isn't too late already, to would-be meddlers from the

United Nations, who already have their mitts in some of the Iraqi oil money through the insidious oil-for-food program. Iraqis would be clamoring for hand-outs from the troops if that program had been anything other than a plot to free Saddam from the effects of U.N. sanctions. The propaganda coming out of Paris and the U.N. headquarters about this "humanitarian" effort was nothing short of brilliant.

Will Mr. Bush have the boldness to put his money where his mouth is? It's hard to guess. He will be getting loads of advice on nation building from the likes of the U.N. and the U.S. State Department. The general theme will be that governments build nations, through public works and command over resources. That is simply false. People build nations. All they need is empowerment.



Moily Melloan