

Post-Victory Iraq

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Proper planning before war ensures we win not just the war, but also the peace. To date, much of the “attack Iraq debate” has focused on the immediate effects on regional security and the United States economy. Both are important. However, if an American-led coalition goes to war with Iraq, the post-combat actions and economic policies enacted will determine long-term regime success and, more importantly, the possibility for continued political stability and potential democratic expansion in the region.

The State Department has announced that the U.S. will lead the rebuilding of Iraq, but they have not outlined a plan. With regional concerns that the U.S. is mobilizing for an oil raid, that omission is problematic. To strengthen our arguments in the Iraq debate, the United States should immediately outline a three phase post-war development plan for Iraq. The Immediate Actions Phase should include steps critical to the success of any regime change and must take place in the first 12 months. First phase policies will help gain the instantaneous support of the Iraqi people and enhance the legitimacy of the new, or interim, Iraqi regime. Second, Near-Term Policies, which will take 12 months to 3 years to implement, must lay the foundation for future economic success. Finally, the U.S. should simultaneously begin cultivating Long-Term Policies, which require considerable time to take root and create an atmosphere encouraging economic growth by building a strategic framework to guide the interaction between government, the private sector, and the market.

Immediate Actions Phase

An unfortunate consequence of any armed conflict is the physical destruction of critical infrastructure. This is exacerbated in Iraq with the lack of investment in any part of the economy that did not support the defense sector. Post-conflict investment in the form of roads, electrical power plants, sewers, and schools will create an environment conducive to growth. Moreover, public infrastructure investment will demonstrate to the Iraqi people the sincerity of the new regime. Importantly, this investment employs demobilized soldiers and other unemployed Iraqis.

Income subsidies provide a second means of gaining “performance legitimacy” for the new regime. Iraq currently maintains a robust defense budget given its population of just over 23 million. The new government should immediately divert some of this money to the Iraqi citizens. Partial oil income redistribution on a per-capita basis would be a viable option for generating substantial income subsidies in Iraq. For example, despite having oil reserves totaling a mere fraction of those in Iraq, Alaska has managed to successfully finance the Alaskan Oil Permanent Fund for decades. This income redistribution shares the wealth with all Alaskans while channeling millions of dollars into the state’s economy each year. The United Nations Oil-for-Food program has developed a working distribution network that stretches into the most rural areas of Iraq and will provide a useful mechanism for the initial stages of income redistribution.

In keeping with efforts to rapidly improve the overall Iraqi standard of living, the United States should lead an international coalition dedicated to providing highly subsidized medical care in conjunction with humanitarian relief packages. Initial responsibility for oversight and operation will rest with coalition military forces and include provision of emergency medical services, hospital operation, immunizations, and provision and distribution of pharmaceutical supplies. Upon establishing regional security, the military forces must work to rapidly integrate appropriate government and non-government organizations.

Near-Term Policies

United Nations sanctions have taken a heavy toll on Iraq's oil production. According to recent OPEC statistics, Iraq currently produces a total of 2.8 million barrels of oil daily, down from pre-Gulf War levels of 3.5 million barrels a day. Experts predict the dilapidated production facilities are capable of record production levels given new investment and efficiency improvements. Unlike most developing countries, Iraq is blessed with a natural resource capable of being the engine for economic growth. Oil exports will continue to fill the need for foreign exchange reserves and foster technology acquisition through foreign direct investment. Oil revenues in postwar Iraq will unquestionably be beneficial for the industries that invest, the nations that participate, and, most importantly, the Iraqi people. Proper management of this lucrative resource is essential so that Iraqis do not feel that their oil resources are being exploited to benefit U.S. or other companies.

Iraq should also take steps to improve the existent agriculture sector. The portion of Iraq between the Tigris and Euphrates River, known as the "Fertile Crescent," is one of the richest areas of productive land in the world. Due to Iraq's diversion of capital, technology and skilled workers into defense and WMD production, agriculture development has suffered. Investment in the agriculture would allow Iraq to concentrate on an industry that is more labor intensive, provide labor market flexibility, and help minimize income disparity between rural and urban workers.

Long-Term Policies

Getting the macroeconomic fundamentals right is essential to significant growth in any developing country. Iraq must adopt policies that limit price distortions, maintain a stable real exchange rate, and encourage private savings. Moreover, privatization of state-run assets is essential to increasing productivity, speeding growth, and reducing corruption. A stable macroeconomy is critical to encouraging private investment from abroad and establishing the environment necessary for rapid growth.

Investment in human capital must begin at the lowest grade levels in Iraq. The immediate problem is not a lack of secondary education. Iraq should avoid attempts to expand all levels of education simultaneously, and instead focus on education at the primary level. There is a high historical correlation between national income levels and educational attainment. Universal primary education, coupled with improved educational quality at all levels, is a reasonable goal.

Regime change in Iraq poses a difficult conundrum, complete with overlapping political, social, and economic elements. However, one thing is certain. The United States must establish the fundamental policies, according to country-specific circumstances, that strive to promote democracy and the free market system. Only then can Iraq ever hope to reach its full potential, initiating a pattern of growth and overall improvement in the standard of living of its citizens. We must not only win the war, we must also be prepared to win the peace.

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