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Via Electronic Delivery

Samantha Power
Kennedy School of Government
Harvard University

Kira Brunner
Monthly Review
Dissent Magazine

Re: Commentary on Saturday, April 27, 2003

Samantha and Kira:

Thank you, Kira, for awakening me. My alarm clock had failed and it was your comments on Book TV that triggered enough brain activity to wake me up. While my perspective on the Iraq War is very different from either of yours, I wanted to share my perspective with both of you.

I would agree with you that the Administration's proffered rationale for the Iraq War is disingenuous and insufficient. Certainly, I do not believe that the war against Iraq has much, if anything, to do with Saddam Hussein, UN Resolutions or Weapons of Mass Destruction, and I do not believe it really has anything to do with the Hussein regime's abuses of the Iraqi people.¹ On the other hand, I believe there is a legitimate rationale and that this is one of the rare times in history when preemptive, unilateral action may be justified.

Last November, Atlantic Monthly magazine published an insightful article that articulated a basis for war with Iraq. The author, whose name escapes me at the minute, obviously is well connected with sources in the State Department and the Pentagon.² Briefly stated, his thesis is

¹ Certainly it has little to do with oil. Iraq's reserves are comparable to Saudi Arabia's and although consumers might benefit from lower energy prices, the companies in the energy business would not. Capital investments in exploration, production and refining are based on oil at \$18 to \$21 per bbl. With no post-war restrictions on production and the need for hard currency to fuel its post-war economy, Iraq will produce as much as physically possible. If, as a result, the price of oil falls to \$5 to \$12 per bbl., which it might, the energy industry cannot begin to even earn its costs of capital on existing property, plant and equipment. I have friends in the oil field service industry who tell me that the "rig count" is the lowest it has been in 10 years, notwithstanding high prices, because exploration and production companies have stopped all capital investment in anticipation of a post-war fall in oil prices to a level below that at which they can make a profit.

Both the French and the Russians are opposing lifting sanctions that limit Iraqi production, and both are said to have had contracts with the Hussein regime to develop Iraqi oil fields. The conventional wisdom is that they fear that those contracts will be repudiated and that they will lose the economic benefit of the oil rights they had acquired. Yes, they fear the contracts will be repudiated, but their real fear is that they will have lost control over the timing of the development of the oil rights they previously controlled. Oil exploration and production companies commonly purchase oil rights that they have no intent of exploiting currently, if ever. They do this to control the quantity of product on the market and the market price. For Russia, which relies on oil for a significant component of its hard currency earnings, the prospect of unrestrained Iraqi production is an economic train wreck.

Nobody who understands commodity pricing theory and the economics of the international oil business would conclude that fighting a war with the objective of increasing Iraqi oil production makes any sense.

² I believe this to be true because my summary of the author's analysis was corroborated by a friend of mine, a retired senior military officer, as part of a policy analysis he wrote at the Pentagon years ago. His question to me – with a note of shock and alarm in his voice – was, "Where did you get this?"

that the “war on terrorism” is a war on Islamic Fundamentalism, and while we will ultimately prevail, the war on terrorism could be “won” at lower cost – both monetarily and, more importantly, in human lives – if issues fueling the growth and popularity of the Islamic Fundamentalist movement can be resolved.

Two of the most significant such issues are the continuing Israeli/Palestinian dispute and the presence of U.S. military facilities in Saudi Arabia, an Islamic society, in close proximity to some of Islam’s most holy sites.

The Clinton Administration came close to achieving an Israeli/Palestinian agreement, but Arafat overplayed his hand. Israel will accept, or can be coerced into accepting, that deal again, but not unless it receives something in return. A number of countries threaten Israel’s security, and Iraq is one of them. Removing the Hussein regime and the Iraqi threat would, with enough pressure from the U.S., bring Israel back to the bargaining table and willing to again accept the arrangement it was willing to take a few years ago.

Meanwhile, unlike Saudi Arabia, Iraq is a more secular society with the perfect strategic location for the U.S. facilities currently located in Saudi Arabia. Relocation to these facilities to Iraq has the collateral benefit of increasing the probability that the Saudi regime survives.³

The author of the Atlantic Monthly piece went into much greater detail on the policy analysis, and he was not sanguine about the prospects for success.⁴ But, his thesis provides a much better explanation for the Iraq War. And, the war had to be unilateral. Appeals for multilateral support would have been futile, both because Israel lacks significant support among nations other than the U.S., and because the relocation of U.S. military bases to Iraq would certainly be opposed by Russia and China, at least publicly.

Unfortunately, Saddam Hussein was simply “in the way”. We supported him in the 1980s because he was at war with Iran.⁵ Our support was a classical instance where “the enemy or my enemy is my friend”. We are now at war with Al Qaeda, which has (or had) a significant number of former Mujahadeen members that we supported in their defense of Afghanistan against the Soviets.

The Iraq War is part of a much larger strategic plan that predates both Bush and Clinton. Parts of it predate Bush’s father. It is part of a larger plan for a war on Islamic fundamentalist terror that has evolved over the last 30 years. Remember that Islamic fundamentalist terror did not start on 9/11. We had a number of incidents in the 1970s culminating in the Iranian hostage crises in 1979.

I find hilarious the government’s claims that our intelligence capabilities are limited by an insufficient number of Arabic-speaking analysts and human intelligence operatives. Let’s see. We’ve had the 1967 War, the 1973 War, the organization of OPEC and subsequent energy price shocks in 1973 and 1979, a number of terrorist incidents during the 1970s (including the assassination of Anwar Sadat, the Olympic massacre, and a bunch of others), the 1979 Iranian revolution and hostage crises, the Lebanon crises, the Iraq – Iran war, the numerous attempts to broker peace between Israel, its neighbors and the Palestinians, and the continuing critical importance to the world economy of petroleum from the region. Now, the intelligence agencies want us to believe they haven’t developed sufficient language expertise or human intelligence assets in the region. C’mon. This is classic disinformation (designed to induce a false sense of security in our opponents that their communication networks are secure and that they haven’t been infiltrated and compromised.).

³ Given increasing pressure from Islamic Fundamentalists, the future of a moderate government in Saudi Arabia is iffy, at best.

⁴ I share his concerns and fear that our post-war experience in Iraq could prove comparable to England’s experience in Palestine prior to 1948.

⁵ A more cynical view might be that we supported Hussein with the objective of prolonging the Iran/Iraq war and further weakening both countries.

Bush has said that we will rebuild Iraq, and that is certainly what we will need to do if the war is to have served any long-term beneficial purpose. For unless we rebuild Iraq – or, more accurately, totally restructure its economy so that it is not entirely reliant on petroleum reserves for whatever prosperity it might enjoy – all of the blood shed in the current conflict will have been in vain. I do not think the American people fully appreciate what a commitment to “rebuild” Iraq will cost and I am concerned – based on statements to the effect our weapons targeting was designed to avoid damage to infrastructure in order to limit rebuilding costs – that our government intends a rebuild “on the cheap”.

Perhaps the most important decision of the Twentieth Century was the decision of the Allies to rebuild Germany and Japan as modern economies without macroeconomic incentives for territorial conquest. It is this decision that has essentially eliminated the prospect of war among the nations of modern Western Europe.⁶ The cost of that decision, largely borne by the U.S., was staggering.

Meanwhile, most discussion on the rehabilitation of Iraq is focused on instituting a democratic government there. The prevailing view seems to be that national conduct depends almost entirely on form of government, and that all we need to do is to facilitate a representative democracy in Iraq and repair what was destroyed during the war and all will be right with the world. This puts the “cart before the horse” and is the mistake we made in Europe at the end of World War I. We installed the Weimar Republic, but did nothing to address the fundamental macroeconomic issues that Germany faced.⁷

Fortunately we did not repeat this mistake in 1945. Modern Germany is not a threat to peace because of its current representative government; it has a representative government and

⁶ On my website, <http://scott-juris.blogspot.com>, I have posted relevant portions of the oral history of James Riddleberger together with my analysis of his version of the decisions of the Truman administration on the post-war reconstruction of Europe.

Riddleberger, of course, knew Adolph Hitler and spent the first two and a half years of the War (September, 1939 until December 1941) in Berlin. He spent the War years in London working on diplomatic and economic plans for the occupation of Germany and the reconstruction of Europe. Although he did not attend the meetings at Yalta, he was at all of the meetings at Potsdam except for the private meetings among Truman, Churchill and Stalin.

Among other things, Riddleberger talks at length about the vigorous support of the Treasury Department under Harry Dexter White and Henry Morgenthau of a plan favored by the Soviets to essentially destroy Germany permanently by flooding all the mines, destroying all bridges, factories and dams (including a dam that would have flooded large parts of the city of Vienna) and making the German nation into a “goat pasture.” Dexter White and others in the Treasury and State Departments, of course, were later accused of being Soviet agents. Notwithstanding the legal merits of those charges, there were certainly a number of high-ranking individuals in these departments, both appointed and among the career staff, who were very sympathetic to the Soviet point of view.

I draw two conclusions:

First, history might judge that the greatest threat posed by Soviet agents at that time was not the loss of U.S. technological (such as nuclear) and political secrets, but the adverse consequences that would have resulted had their views on German occupation and European reconstruction prevailed.

Second, the Morgenthau Plan further evidences the vastly different moral values of that time. Certainly a similar proposal today with respect to Iraq would be seen as a war crime, as it would - by design - result in the unnecessary death of large numbers of non-combatants.

⁷ “Lebensraum” was not simply Hitler’s megalomaniac dream. It was an economic necessity. Germany and England were the two countries in Europe that were not agriculturally self-supporting. The difference is that England had an empire to exploit, while Germany - even without the burdens of the Treaty of Versailles - faced trade deficit problems in perpetuity because of its need to import food. In fact, of course, imposition of punitive reparations only made things worse and virtually guaranteed that the German economy would fail.

does not threaten the peace because it has a First World economy and no economic incentive for war.

I have heard it said that Iraq is the "Germany of the Middle East" with a hard-working population that values education and economic development. Given what I believe to be our true objectives, Iraq is the proper country to conquer and change, but only if we are prepared to facilitate sufficient capital investment to establish a diverse, successful, First World economy. This will be more expensive (in real dollars per citizen) than was Germany, because Iraq's economy is starting from a much lower base. It will also be more difficult than was Germany because the Iraqi society is heterogeneous with deep-seated ethnic animosities.⁸

Success in rehabilitating Iraq is by no means certain. It is, however, worth the effort because of the potential upside benefits. The question is whether we are willing to make the necessary effort.

In my view, although it is politically incorrect to admit it, the war on terrorism is, indeed, really a war on Islamic Fundamentalism. Putting aside equities favoring one side or the other in such a conflict – as both have grievances that are to some extent legitimate – the conflict is inevitable. The only question is how many lives it will consume. World War II was also inevitable and consumed 50 million lives. If, "pre-emptive" action – conducted in good faith and with a bona fide commitment to rehabilitation of Iraq – might ultimately avoid a later conflict potentially as terrible as World War II, it is action that is morally justifiable and should be attempted.

Recognizing that you are not likely to agree with my conclusions, I would appreciate your views on this analysis if you care to share them. I'll get to each of your books eventually.

Samantha: Could you please make sure that Kira gets a copy of this? I searched long and hard (although I limited my search to publicly available search engines) for a personal email address for her and came up dry. From what I can tell of her politics based on my search, I can

⁸ Iraq's oil is, obviously, its primary economic asset, but even if exploitation of the oil resources could generate sufficient income to provide a First World standard of living for all of the Iraqi people, something I highly doubt, the Iraqi economy must be diversified. First, since the number of people necessary to exploit the oil reserves is small relative to the size of the Iraqi population, it is likely that there will be vast wealth disparity. Those who control the oil will make vast fortunes and the remaining population will remain poor. Second, even if the income from exploitation of the oil reserves could be equitably distributed to all Iraqis, it would do little to add meaning to their lives and, with nothing else to do, the population would focus on its ethnic divisions. The result could be little more than a really well financed civil bloodbath.

Since the oil income is likely to prove insufficient to provide a First World income to the Iraqi people, the question becomes how to at least ensure that the income is equitably distributed so that Iraqis can – with substantial assistance from other First World countries, primarily the U.S. – use the oil earnings to develop a diverse First World economy.

George Melloan, in a recent Wall Street Journal article, reported suggestions he had received from some readers. The problem with all of the suggestions is that Iraq does not have a stable legal system and all the proposals relied on enactments by the Iraqi government.

I suggested that an enterprise be formed under the law of a Western country (I used a Delaware, Manager-Managed Limited Liability Company as an example, but comparable organizational forms of other countries would work as well). The organization of the enterprise and its tax treatment election would basically compel it to distribute all of its free cash flow to its owners. There would be two classes of ownership interests, a small number of voting interests (representing, say, 10% of the equity) that would require capital contributions, could be owned by foreigners, and would be readily transferable (to raise and maintain the necessary working capital), and a second class of income interests that would not require capital contributions, would be distributed per capita to Iraqi citizens, and would have very stringent restrictions on transfer or alienation. Both classes of interests would share the oil earnings pro rata. Western oil companies would presumably be the foreign investors owning the minority share and holding all of the voting rights (and you do not want the Iraqi citizens to hold any voting rights, because a totalitarian government could force them to vote away their income rights). This would assure, to the extent possible, that the Iraqi citizens would have access to a Western legal system to enforce their rights to receive their share of the oil earnings.

understand why she does not publicize her email address. Anyway, please forward a copy of this to her, if you don't mind. Thanks.

Regards

/s/ Michael D. Scott

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