US telecom giants and the war in Iraq: It's not just about oil

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A growing number of people around the world recognize that the impending US assault on Iraq will be a war of plunder. Focus has rightly centered on Iraq's enormous oil reserves and the desire by American corporations to seize control of this lucrative resource.

However, the economic interests of the US extend beyond Iraq's petroleum supply. Recent reports point to the large stake of another segment of American industry in an overthrow of the Iraqi regime: the telecommunications sector.

American corporations such as Motorola and Lucent are eager to win contracts for building mobile and fixed phone systems and other telecommunications infrastructure in a postwar Iraq. A US invasion and military occupation of the country will put these companies at an enormous advantage over their rivals, particularly those in France and China.

Joseph Braude, author of the forthcoming book *The New Iraq* and senior analyst for Pyramid Research, gave an interview on February 17 to "The World," an American radio program produced by National Public Radio. In the course of the interview he noted, "Regime change could lead to certain changes in the geopolitical considerations that do weigh in on contracts. So American [telecommunications] companies, for example, who have up to now been on the outs in Iraq may suddenly be in a strong position to compete."

He continued: "If there isn't a war, but the sanctions are lifted, then the likelihood would be that the traditional European and Asian countries that have been working with Iraq would continue to work with Iraq."

The stakes, according to Braude, are high. At issue is "one of the biggest contracts in recent memory.... A billion dollars to revamp the fixed network [landline] over the next few years ... and hundreds of millions of dollars over the same period for the mobile network."

The conflict over who will rebuild the Iraqi communications infrastructure—and how and when it will be rebuilt—has been simmering for over a decade. During the first Gulf War of 1991, the US specifically targeted communications systems for bombing campaigns as part of its policy of destroying the infrastructure required for the functioning of a modern economy. The damage sustained was enormous. Over the ensuing decade, the sanctions regime supported by the US and implemented by the UN served to block Iraqi efforts at modernization.

As a consequence, Iraq, with a population of 24 million and the second largest reserves of petroleum in the world, has one of the most underdeveloped telecommunications networks in the world. The average number of telephone lines per 100 Iraqis is 3, down from 5.6 in 1990. Those who have phones—only the wealthy and the political elite—are faced with restrictions on their use because of the decrepit state of the telephone system.

Baghdad was once a relatively modern city, but today it is one of the few capital cities in the world that lacks a commercial wireless network. Iraq was one of the last countries to establish an Internet domain suffix for web and email services, and the number of people with Internet access in the entire country is estimated to be merely a few hundred.

The infrastructure that was destroyed during the Gulf War had originally been built by the French company Alcatel. Over the past decade the company has continued to play a major role in the limited reconstruction efforts that have begun.

Alcatel has a standing contract with the government of Saddam Hussein to begin construction of an international telephone exchange and a microwave telephone system that would link up different areas of the country. The deal was valued at $75 million, but it, as well as Alcatel's other projects in the country, is unlikely to be realized in the event of war.

For much of the 1990s, France was the largest beneficiary of trade with Iraq, with the UN approving some $3 billion in contracts for a wide range of goods and services, including telecommunications. In accordance with the food-for-oil program that was initiated in 1996, Iraq was allowed to use oil revenues—stored in an escrow account managed by the

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UN—to buy specific goods and services, as authorized by the United Nations Security Council. Generally, Iraq sought to direct trade to countries—such as France, Russia or China—that were willing to push for a loosening of the sanctions regime.

However, every contract had to be approved by the Security Council before funds could be released. Members of the council, and particularly the US, had wide latitude to block contracts by claiming that the goods to be provided were "dual use," that is, they had potential military as well as civilian applications.

The ability to block telecommunications contracts was one of the principal tools employed by the US to pressure China and France to go along with American and British attempts to restructure the inspections system in 2001. For example, in June of 2001 the US released more than $80 million in contracts between Iraq and Chinese companies that it had been blocking. This included a $28 million contract with Huawei Technologies to build a mobile phone network with a capacity of 25,000. The next day, China announced that it had reached an agreement with Britain, France and the US on a list of "dual use" items that would be part of an overhaul of the sanctions regime.

The American government reached similar quid pro quos with France and Russia, involving oil contracts as well as telecommunications deals. In general, however, the US tended to block contracts that would benefit European or Asian companies.

Scuttling contracts through the Security Council was not the only method used by the US to prevent the rebuilding of Iraqi telecommunications systems. Earlier in 2001, the US had alleged that Huawei was helping Iraq upgrade communications systems that would be used for military purposes. Those systems were promptly bombed by American and British warplanes in February and again in August of 2001, with the US citing the alleged but unsubstantiated improvement of air defense systems as the principal motivation.

Huawei eventually backed out of another deal it had reached for a different project, apparently calculating that the uncertainty of Iraq's future position was too great. A new contract was reached with China National Technology Import, but all projects have now been put on hold given the imminence of war.

The motivation for the American government's efforts to prevent work on Iraqi communications systems has been twofold. First, they are part of Washington's general policy of starving and brutalizing the country—a policy that has led to the death of hundreds of thousands of Iraqi civilians.

Second, they are driven by economic self-interest. The Middle East is one of the principal regions of profitable investment for the telecommunications industry. Many of the countries in the area have begun to privatize communications systems, opening them up to foreign capital as part of the requirements for entry into the World Trade Organization. States in the Gulf region will spend an estimated 25 percent of funds devoted to infrastructure development on telecommunications systems over the next decade.

At present, Iraq's communications sector is almost entirely nationalized, but this will certainly change after an American invasion. American corporations will be in a position to take over even those limited projects that had been approved by the UN for France and China.

The repercussions could extend beyond Iraq's borders. After the Gulf War of 1991, Lucent was awarded a $4.5 billion contract with Saudi Arabia as part of the growing influence of American companies in the region.

The *New York Times*, in a piece published February 17, quotes Jennifer Weyrauch, a spokeswoman for Motorola, a world leader in mobile communications with operations throughout the Middle East: "If an opportunity exists under the right circumstances we would take a close look at it. To this end, we urge the US Congress and administration to prepare to promptly remove exiting sanctions that would impede US businesses from participating in the reconstruction and recovery effort."

This "reconstruction and recovery effort" will be implemented on the backs of the Iraqi people. White House spokesman Ari Fleisher recently stated, "Iraq has tremendous resources that belong to the Iraqi people. And so there are a variety of means that Iraq has to be able to shoulder much of the burden for their own reconstruction." In other words, revenues from oil extraction will be used to fund generous contracts for American corporations to rebuild what the US military has destroyed.

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