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Iraq Needs a "Jobs Surge"

By Stanley A. Weiss

LONDON—Name these Middle Eastern countries.

Country A, plagued by decades of dictatorship, war, sanctions, corruption—and, lately, vicious sectarian fighting—has a per capita income less than Mongolia's and half its workforce is unemployed or underemployed.

Country B, with the world's third-largest oil reserves, enjoys 6 percent economic growth, has a stable currency, has slashed inflation and—thanks to billion-dollar development and telecom deals—has been called "a capital magnet" by a leading investment publication.

Country A, of course, is Iraq. Believe it or not, so is Country B.

"From a macro-economic perspective," the deputy U.S. Treasury secretary, Robert Kimmitt, recently told reporters in Baghdad, "we see a strong foundation having been laid by the Iraqi government." Of course, any macro-progress has yet to solve Iraq's most urgent micro-problem—the grim economic fortunes of ordinary Iraqis.

But if the new counter-insurgency strategy of General David Petraeus, the top U.S. commander in Iraq, proves anything, it's that a dramatic change in tactics can still produce results. His "bottom up" strategy of putting small U.S. combat outposts in dangerous neighborhoods and empowering local security forces has led to a major drop in bloodshed. But these gains will prove fleeting without an equally bold "trickle up" economic strategy focused on Iraqis where they live and work.

"In the long run," Zaab Sethna, an investment fund manager in Baghdad, tells me, "Iraq's economic revival will depend, not on aid programs, but on private-sector and foreign capital." Much of that investment can come from the global diaspora of 4 million Iraqis, many of them successful entrepreneurs.

"But we won't get to the long term unless there's a serious improvement in the short term," argues Rory Stewart, a former British deputy governor in southern Iraq. "Iraqis need to see an immediate and dramatic difference in their well-being."

So how might "trickle up" work in Iraq?

To start, give petrodollars to the people. Building on the success of small U.S. aid programs in the provinces, the Iraqi government could pour oil revenues into a New Deal-style jobs corps that puts Iraqis, especially young men, to work rebuilding newly secured neighborhoods and restoring electricity.

While Shiite, Sunni and Kurdish politicians bicker over sharing oil revenues, the Iraqi people should demand their own share: an Alaska-like oil trust that would invest a portion of Iraqi oil profits—some \$40 billion this year—and pay dividends to every citizen.

Next, bypass Baghdad. Government-managed reconstruct-

tion programs have been windfalls for corrupt Iraqi ministries and militias, but a bust for impoverished Iraqis. Instead, foreign aid could go directly to Iraqi communities, as with a successful World Bank-funded program in Indonesia where 40,000 villages have managed \$1 billion worth of local projects.

For major infrastructure projects, the former Iraqi Finance Minister Dr. Ali Allawi tells me that dedicating a major portion of oil revenues to an independent, professional development board, as Iraq had in the 1950s, would "bypass the government machinery altogether."

For unemployed workers who still collect 40 percent of their salaries while state-owned factories sit idle, the Iraqi government should redouble its efforts—with increased U.S. aid—to restart and eventually privatize the most modern facilities, which could employ 100,000 Iraqis. Huge potential customers are often right down the road—U.S. military bases, which have awarded major contracts to Iraqi firms over the past year, creating tens of thousands of jobs.

For the one in four Iraqis in the agricultural sector, small-scale foreign aid programs to boost crop yields won't be enough to overcome the devastation inflicted by Saddam Hussein and UN sanctions that turned Iraq into a net food importer. Instead, the Iraqi government could get out of the food business and convert its sanction-era food ration program to a cash or credit system. That would stimulate, rather than stymie, domestic farming in the fertile lands along the Tigris and Euphrates.

For the vast majority of Iraqis who work in the informal sector—laborers, masons, carpenters, electricians, and seamstresses—carefully targeted microcredit programs to expand or start businesses would be a boon for local entrepreneurs who "have shown a remarkable dynamism amid the chaos," says Keith Crane, a RAND analyst and former U.S. economic adviser in Iraq.

Likewise, a major Iraqi commitment to address the country's massive housing shortage could unleash a construction boom like the one underway in the relatively calm Kurdish north.

The U.S. counterinsurgency manual lists 14 "progress indicators" for measuring whether such a strategy is succeeding. Only two relate to security; four are political and humanitarian. The remaining eight? The number of local businesses, tax revenues, acres being farmed and other measures of daily economic life.

A jobs surge, not a military surge, remains Iraq's best hope. Iraqis need to see, as the manual says, that "peace pays."

Stanley A. Weiss is founding chairman of Business Executives for National Security, a nonpartisan organization based in Washington.