

Senate Democratic Policy Committee Hearing
“An Inside View of the ‘Second Insurgency’:
How Corruption and Waste Are Undermining the U.S. Mission in Iraq”

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Good afternoon. Mr. Chairman and other distinguished members of this Committee, thank you very much for the invitation to testify here today. I am honored.

Since 1988, I have been a professor of Sociology, Organization, and Management at St. Cloud State University in Minnesota. From May through December 2006, I served in Iraq as a Senior Advisor to the Prime Minister’s Office, the Council of Ministers, and the Ministry of Planning, as a part of a USAID-funded project to develop national capacity in public management.

From February through April 2007, I served as Chairman of the Board of the Government of Iraq’s National Investment Commission (NIC), a cabinet-level position in the al-Maliki government that promotes and coordinates investment in Iraq. The NIC’s powers include issuing licenses and granting tax incentives to encourage domestic and foreign investments in Iraq.

My return to Iraq in 2004 was the first time I had visited my native country since I left as a young man in 1977 to study in England. During these 27 years away, I remained deeply concerned about Iraq and its problems, but my involvement with the Iraqi opposition to Saddam Hussein prevented me from going there and seeing my family.

Two years ago, I was very happy to have the opportunity to serve my country and the Iraqi people, and to see my family and friends in Iraq. When I returned to Iraq to serve as an

advisor, and later, as an Iraqi government official, I thought that I would have a chance to contribute to a process of bringing real hope and a sense of security for the Iraqi people.

Sadly, that would not be the case. Not only did I not get to see my family (tragically, while I was in Baghdad, my mother died in Najaf before I could see her again), but I was bitterly disappointed at what I saw in Iraq, three years after the fall of Saddam Hussein.

While in power, Saddam Hussein's government oppressed rather than served the Iraqi people. There was certainly no interest in good governance in Saddam Hussein's Iraq. His institutions were corrupt. Civil society was crushed. But after Iraq's liberation in 2003, the institutions of government suffered yet another calamity, as looters sacked and destroyed ministry buildings and the government infrastructure.

This misery was compounded by the exclusion of many good and competent Iraqi professionals from their senior positions in the government as part of the de-Baathification process that took place after the liberation. The pendulum swung the other way as Iraqi politics came to be dominated by sectarian (Sunni and Shiite) and ethnic (Arab and Kurd) "identity politics."

Let me give you one example of how corrupt Iraqi government officials have taken advantage of officially-sanctioned sectarianism. While I was working on the USAID-funded project to develop national capacity in public management in 2006, the project wanted to bring in an expert from Egypt to consult on the project. The rules in Iraq required any Arab national entering Iraq to secure permission from the Iraqi Interior Ministry. After the project was unable for many months to secure approval, I made an informal request at the Ministry. An official at the Ministry asked for a \$10,000 bribe to fulfill the request. This official was the perfect example of a bureaucrat who had received his position, not because of his competence for the

job, but because of his ethnic and sectarian connections. Because we refused to pay the bribe, the project was never able to bring the expert into Iraq.

As Chairman of the National Commission on Investment in Iraq, I saw much more of this kind of problem, part of a larger picture of corruption, cronyism, and the absence of functioning institutions of civic and financial governance. In fact, I was so frustrated by the difficulties of working in this kind of environment that I resigned from that post and returned to the United States, where I resumed full-time teaching duties at St. Cloud State University

Large- and small-scale corruption is endemic in Iraqi society. Based on my experience and first-hand observations in Iraq, I would estimate that a significant percentage of Iraqi officials are involved in corruption in one way or another. My personal observations are backed up by a recent study by Transparency International, which ranked Iraq 192 out of 194 countries in its corruption index (behind only Somalia and Myanmar).

Because of the inadequacies of the institutions of governance – including the police, courts, tax system, customs, banks, oil authority, and national army – the Iraqi government is put in a very difficult situation to tackle corruption. The Commission on Public Integrity (CPI), the chief anti-corruption agency in the country, has been given neither the authority nor the independence it needs to work effectively. As a result, there have been no prosecutions for the embezzlement of public funds. In a press conference on August 30, 2008, the current head of the CPI noted that no government official had yet filed the financial disclosure statements, which are required at the start of their employment.

Even worse, the Iraqi Parliament has now taken proactive steps to obstruct efforts to root out corruption. At the press conference on August 30, 2008, the head of the CPI also complained that the amnesty law passed by the Iraqi Parliament on January 12, 2008 will prevent the

investigation of some 700 cases of alleged corruption (some at the cabinet level) in Baghdad alone.

The costs of corruption fall most heavily on ordinary Iraqi citizens. They are the ones who suffer from the complete absence of services: no water, no electricity, no oil, and too little security. Just to give one example, \$17 billion of Iraqi money plus \$4 to 5 billion of U.S. money has been spent on the electricity infrastructure in Iraq. But what has more than \$20 billion bought the Iraqi people? In Baghdad today, more than five years after the start of war, residents have electricity for about 1 hour in every 7 hour period.

The widespread, endemic corruption also means that gasoline and medicine are often available only through the black market. When I became seriously ill in 2006, I was forced to buy medicine myself on the black market after I was turned away from the hospital. I was lucky: I had the money and I knew to check the label for the source of the medicine. Many of the medicines available on the black market in Iraq are either ineffective or dangerous.

As the Chairman of the National Investment Commission, I saw first-hand how corruption is a huge deterrent to “honest” foreign investment in Iraq. For those individuals and companies that do invest, bribes become a cost of doing business. This translates into higher prices for the goods and services delivered, and it usually results in a substandard product.

Unfortunately, the United States is not doing anything constructive at this time to root out the corruption. In the first place, the United States did not properly control the millions of dollars it brought to Iraq. There was just too much money floating around – billions and billions of American and Iraqi money – and too many opportunities for that money to get into the wrong hands.

Secondly, the view that American officials are involved in corruption is widely shared throughout Iraq. To give you one example: In the wake of 9/11, the United States established agreements with banks throughout the Middle East to allow the United States to track the movement of money throughout the region. As a result, it is extremely difficult for me, for example, to wire \$2,000 to a friend in need in Jordan. However, corrupt Iraqis apparently face no obstacles as they establish accounts and wire millions of dollars between banks throughout the Middle East. People ask how this is possible if the movement of money is being tracked by the United States. How does this money move so easily?

I know of one Iraqi who was living in the United Arab Emirates before the war began in 2003. He had complained that he had very little money and was looking for new business opportunities elsewhere. In 2003, he returned to Iraq to work with the Iraqi government. I have it on personal knowledge that this man now has \$120 million in various accounts throughout the Middle East, in his own name and the names of his wife and brother.

There is also consensus among the Iraqi people that U.S. personnel were involved in the flight of Aiham Alsammarae, the former Minister of Electricity. On October 11, 2006, Mr. Alsammarae was jailed on charges of embezzlement. Two months later, he was smuggled out of prison and whisked out of the country on a private jet waiting for him on the tarmac at Baghdad International Airport. You have to wonder how this was possible under the noses of American officials in Iraq.

The Iraqi public's respect for the United States has fallen because of this corruption. This is a clear example of how the United States has not only failed to win the hearts and minds of the Iraqi people, but has actively alienated them.

I want to be clear that these problems are not only destructive in their own right; they also destroy Iraqis' faith in the possibility of unity, political reconciliation, and legitimate, representative government. Their effects on Iraqis' hopes for a viable state post-Saddam have been corrosive in the extreme, as it becomes clear that Iraqis at every level have failed to put the nation's interest ahead of their own personal agendas. So, unless this corruption is rooted out, there will be very little chance of achieving any long-lasting stability and political reconciliation in Iraq.

Thank you for the opportunity to share these observations with you. I would be happy to answer any questions you may have.