

DAWN OVER BAGHDAD

How the U.S. Military is Using
Bullets and Ballots to Remake Iraq



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All the photographs in this book were taken in Iraq by the author.

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but it's push-button activated on most of our helicopters, and the majority of hostile shots we don't see, or we see them too late to react. It needs to be activated automatically by computer."

If technical solutions can't alleviate the weaknesses revealed in Iraq, helicopters will have proved to be much less useful than planners of anti-terrorist actions may have wished. In the meantime, many pilots are skittish. "The number of helicopters shot down has surprised us," concedes a pilot and company commander. "These days, flying is just no fun at all."

BRICKS AND MORTAR

Fallujah is a city of nearly 400,000 souls, with more Saddam partisans per capita than about any other place in Iraq. A considerable number of the electricity pylons dotting the surrounding desert have been sabotaged. Remnants of high-voltage cables hang loosely off each side of every tower like sagging arms—neatly clipped off about seven feet above the ground, as high as a looter stripping the steel and copper wire can reach with his snips. They remind me of trees at home in the Adirondack Mountains that have all been trimmed to a similarly precise height—the level a winter-starved deer standing on snow can reach as it cranes for buds and other forage.

I'm in an armored convoy headed for a vast acreage that is home to two cement factories, a brick production line and a tile plant—one of the main industrial sites in greater Fallujah. When the U.S. Army first arrived, this

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hulking but broken-down facility employed only 200 workers, turning out dribs and drabs of product. After a little tinkering it now provides jobs to 750 workers, but still operates only in fits and starts. If it were up and running at full production, it could employ 2,200 people in a city desperate for salaries.

One main shortcoming is electricity. At full bore, the complex would require up to 16 megawatts of power; it currently gets 1 megawatt, and occasionally loses its juice altogether. The Army began to supply generators, but discovered that the large units needed would consume lakes of diesel fuel that are simply not available in this war zone.

The other pressing shortfall at the cement plant is miserable maintenance and a lack of spare parts. The machinery in the various buildings is in tatters from years of neglect. The Iraqi engineer leading us through the factory explains that they have adequate cash flow to buy parts and replacement equipment, but need permission from the minerals ministry for every transaction—a constant chokepoint.

An Eastern European now working for the Coalition Provisional Authority tells me that Iraqi heavy industry under Saddam was very similar to command-and-control communism at its worst. “Eet’s oonbeleefable!” he fulminates, “zey can’t do anyseng vid out ahprooval.” By the time the Berlin Wall fell, the economies of Eastern Europe had already evolved somewhat toward more freedom and flexibility, he notes, so the demands of a market economy were not wholly unknown there. But right up to spring 2003, Iraq’s large industries were still run by commissars stamping make-believe five-year plans.

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This interesting tour (led by locally based U.S. Army officers who have been working with Iraqi managers to assess the plants and get them functioning again) includes a high-level delegation from the CPA that is surveying the economic potential of the area. Members include Jacek Kwasniewski (a Pole who directed much of his country's privatization of industry after the fall of communism, now planning Iraq's private sector development for the CPA); a very sharp mechanical engineer and colonel in the Romanian army who is one of the CPA's experts on state-owned industry; technical people from the State Department and the U.S. Agency for International Development; and several U.S. Army officers assigned to the CPA.

The team is led by an energetic military officer—Colonel (soon to be General) Mike Oates, who as the new whip-cracker for the CPA's chief operating officer, Keith Kellogg, is charged with getting Iraq's gears turning. "You know, of the \$18 billion the U.S. is going to be investing in Iraq this next year or so, \$12 billion is going into construction. That means cement and bricks. So there's a large potential market for what these folks make," he states. Through an interpreter he questions one of the plant's engineers and learns that the facility could turn out 1,000 tons of Portland cement per day at peak capacity. That's a lot of foundations and walls.

"But before we get excited and start pushing resources into a place like this, we need to figure out a few things," Oates muses out loud. "First, what would it take, technically and financially, to get this place operating again?" A sergeant who has been working with the managers says the best estimates for a full rehab come to more than \$10 million.

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“Alright, then second we have to figure out if the local electrical infrastructure could support the plant running at full blast. If not, there’s no use in fixing things up. Third, we need to be sure they have customers. Can they market their product if they get geared up? And, last, we need a good assessment of whether this is economically feasible. Sure, we could help them do it, but would the number of jobs produced be worth the investment it would take? Or would we be better off spending those dollars at a bunch of smaller projects elsewhere?”

Spoken like a good businessman. But in this case by a man wearing a helmet, desert fatigues and a 9mm pistol instead of a three-piece suit.

GETTING BABYLON BACK IN BUSINESS

Next I have a conversation with Kwasniewski, whose intelligence and economic acumen impress me. Not only is he a Ph.D. economist and ex-government minister who was a primary engineer of Poland’s shift toward capitalism, but he later founded one of the most successful investment banks in Poland. His firm orchestrated \$6 billion in transactions from 1996 to 2002, including the privatization of the Gdansk shipyard.

“From the beginning I wholeheartedly supported the effort to free Iraq,” he said. “Then I was asked to join the CPA as a Polish representative, to work particularly on the privatization of Iraq’s state-owned industries. The technical part was not hard. But privatization is only one-quar-

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ter technical; the main obstacle is garnering enough political support to push through the necessary alterations. That is always tricky. Last fall the privatization effort in Iraq died, at least for the moment, because we failed to earn the support of the Iraqi Governing Council.

“But, you know, that’s not such a big problem—because Iraq never had a lot of state-owned industries. Outside of oil, only 5 to 7 percent of Iraqis worked for state companies. The vast bulk of the country’s employment and non-oil GDP is in the private sector. So privatization isn’t essential. What *is* essential is helping Iraq’s small private businesses grow. The entrepreneurial spirit and energy in this country is enormous; businessmen just need better conditions and standards: credit standards, labor standards, legal certainties, an environment that encourages private business.

“And Iraq desperately needs investment—which will pour in quickly once a predictable set of rules is in place. For a quick boost I am recommending micro-loans to small businesses. An estimated 2.5 to 3 million Iraqis work in irregular or underground mom-and-pop enterprises. Keep in mind that the entire Iraqi paid labor force is 7 to 8 million. With modest loans, many of those extralegal entrepreneurs could become legitimate and join the on-the-books economy.

“Established businesses in this country carried an awful dead weight during Saddam’s rule. All major firms had to give 10 percent of their revenues each year to the president and his cronies, and they had to accept the installation of Saddam’s friends and family members into their

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offices, drawing large salaries, setting policies, interfering in many ways.

“Of course private business will survive anything; it can never be stamped out. But great damage was done to Iraqi enterprise. This needs to be cured. I am hopeful that Iraqi émigrés might help. Many have become successful businesspeople in the West. As some of them return, they will bring not just money but something much more important: Western ideas of business and management.”

The combination of Iraqis’ own efforts and the diligent economic pump-priming that American soldiers are carrying out has already brought significant progress. International reporters repeated over and over during the long, hot summer of 2003 that Iraq’s unemployment rate was then a miserable 60 percent. Unfortunately, none of them are reporting in the spring of 2004, as I write this, that Iraq’s jobless rate has already been cut by more than half, to under 30 percent—perhaps under 20 percent, some economists estimate.

Though they may not have those kinds of figures at their fingertips, many Iraqis recognize the economic efforts being made on their behalf. Just as we were leaving the cement plant, a threadbare man walked up and handed me something rather precious in the middle of this barren desert: a large orange aster blossom, plucked from some unseen corner of this industrial ruin where a hardy plant must have survived from the more prosperous pre-Saddam past.

Who says Iraqis didn’t greet Americans with flowers? I got one. Even in Fallujah.