

# The Stolen War

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Fires burn in Baghdad during the 2003 invasion. Iraq remains in disarray, hampered by inept and criminal leaders.

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A few years ago, when Iraqi prime minister Nuri Al Maliki was still in office, a group of his closest aides traveled to Amman, Jordan, and rented suites in one of the city's most luxurious hotels. They were there for meetings with foreign businessmen who had flown in to seek a lucrative contract for an energy-related project—one that would help rebuild Iraq's battered infrastructure. Baghdad, like much of Iraq, remained in a state of chaos, and was thus too dangerous for visitors. Amman also offered greater discretion than the Iraqi capital, which was an essential condition for the meetings: The businessmen had come to offer bribes to Maliki and other senior government officials in return for the contract.

The meetings were presided over by Gata Njeiman Al Rikabi, the prime minister's chief of protocol. Rikabi and Maliki had a reputation for corruption and ruthlessness. Munir Haddad, head of the special court that handed down Saddam Hussein's death sentence, [filed a complaint in 2014](#) charging that the two officials had threatened to kill him if he didn't halt an investigation into their alleged use of the security services to murder political and business opponents. Days after filing, Haddad was the target of a failed assassination attempt; the investigation has not proceeded.

According to one of the businessmen who attended the meetings in Amman, Rikabi's terms were simple: Whoever won the contract would hand over a 45 percent stake in the deal—plus a hefty payment in advance—to an Iraqi firm controlled by officials close to Maliki. The Iraqi firm would, in turn, use the payment to make kickbacks to various senior politicians—mostly Shias from Maliki's ruling Dawa Party, but also a few Kurdish officials who needed to give their approval before an energy project could be built in their territory.

"The Shias who ran the company didn't know anything about the project—they were just eager beavers who wanted to get rich," the businessman says. "It had nothing to do with technical ability or expertise: Rikabi was just distributing money. As an investor, you might not see any profit for five or six years, if ever. But the politicians had to be paid up front."

None of the businessmen at the meeting were surprised by [the openness or extent of the corruption](#). Foreign firms bidding to help rebuild Iraq were often ordered to take on Iraqi officials as partners—sometimes multiple subcontractors—in order to secure a deal. U.S. tax dollars sent to arm Iraqi soldiers in the fight against Al Qaeda would frequently vanish into Swiss bank accounts. The weapons would never materialize—or worse, they [would end up in the hands of America's enemies](#). Graft and fraud were so widespread, in fact, that they helped pave the way for an entirely new threat: The firm that won the energy contract in Amman was unable to complete the project, because the territory where it was located was soon overrun by the Islamic State of Iraq and Syria, better known as ISIS.

The causes of America's devastating misadventure in Iraq remain an enduring source of debate. How could the United States, after spending [an estimated \\$1.7 trillion in tax dollars](#) and deploying more than 115,000 soldiers to topple Saddam Hussein and rebuild the country, wind up with a failed state that has given rise to a brutal new brand of terrorism? Was it a failure of military strategy, or of political will? Did we end the war too soon, or wait too long to get out? Did we spend too little on rebuilding the country's infrastructure, or target our aid in the wrong places?

The answer may be far simpler, and ultimately more humiliating: The men we placed in charge of Iraq robbed us blind. If American resources had been used as mandated, rather than pocketed by our allies, ISIS as we know it would not exist.

"Maliki and his guys had it down to a science," says the businessman who bid on the energy deal. "You didn't always know who was getting greased, but it was always government officials, and Maliki got a cut on every deal. They set up an elaborate system that made it look like development was taking place with legitimate contracting and bids, but it was all graft. That's where a lot of American money disappeared."

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It is hard to overstate the devastating role that corruption has played in the failure of Iraq and the rise of ISIS. According to a report last March by the Iraqi parliament's auditing committee, the country's defense ministry has spent \$150 billion on weapons during the past decade—but [acquired only \\$20 billion worth of arms](#). Much of the equipment it did obtain was useless, 1970s-era matériel from former Soviet bloc states that was invoiced at up to four times its actual value. Late last year, well-placed sources tell me, the Pentagon delivered a shipment of new weapons to the Iraqi government, including .50-caliber sniper rifles, which were supposed to be sent to Sunni fighters in Anbar Province. Instead, corrupt officials in the Iraqi ministries of interior and defense sold the arms to ISIS, which is using them to kill Kurdish peshmerga fighters.

"The Kurds are still using equipment we gave them in 2003," says a former CIA official who spends a good deal of time in Iraq. "They're forced to buy ammo and weapons that the U.S. government gives to Baghdad from corrupt Iraqi government officials."

Weapons aren't the only target for corruption. When it comes to the vast sums of money that have flowed into Iraq for reconstruction and economic development, officials at every level of government have been more focused on lining their own pockets than rebuilding their ruined country. Foreign companies seeking business in Iraq frequently

hire well-connected intermediaries, who then bribe senior officials in return for contracts. In one case that recently came to light, several U.S. energy giants, including Weatherford and FMC Technologies, [retained a Monaco-headquartered energy-sector firm called Unaoil](#). As recently as 2012, Unaoil was doling out millions of dollars to senior Iraqi officials, who then awarded contracts to Unaoil clients—frequently with super-inflated profits guaranteed, because the government had agreed to purchase products and services at super-inflated prices. Money that was intended for reconstruction wound up being siphoned off by corrupt officials and private companies.

Internal emails reveal that [Unaoil paid its largest bribes](#) to two Iraqi officials code-named M and Teacher. The latter was Hussain Al Shahrastani, who served as Maliki's deputy prime minister and oil minister. (He's currently Iraq's minister of education.) M was Kareem Luaibi, who succeeded Shahrastani as oil minister. Another recipient of Unaoil's largesse was Dhia Jaffar Al Mousawi—known as Lighthouse in internal emails—who served as an oil adviser to several prime ministers, including Maliki. He has since been appointed Iraq's deputy minister for oil refineries.

“Technocrats have been replaced at key ministries by political hacks who are beholden to their parties,” says Erik Gustafson, director of the [Education for Peace in Iraq Center](#). “There's no competition for government contracts because they go to party favorites.”

Looting American aid has enabled Iraq's elite to enjoy lavish lifestyles.

A particularly brazen and relatively new form of corruption involves handing out major foreign contracts to phantom companies. In 2013, Maliki's government signed a [\\$6 billion deal with a Swiss firm called Satarem](#) to build and operate a refinery that could process 150,000 barrels of oil per day. But it turned out that Satarem was [a front operation incapable of fulfilling the contract](#). It was registered to a law firm in the small town of Zug, its owners were anonymous, and its available capital totaled only \$450,000. When the scam came to light, Maliki's government suspended the contract and launched an investigation. But last February, the government quietly reconfirmed the deal, which guarantees the refinery concession to Satarem for 50 years.

“The refinery is never going to be built,” says Ahmed Mousa Jiyad, a former senior official at the Iraq National Oil Company who has served as a consultant to the Commission of Integrity, the independent agency authorized by U.S. officials in 2004 to root out corruption. “This is an unknown company without the necessary financial resources or logistical experience. It's apparent that the contract was awarded to Satarem because it established relationships with corrupt officials.”

Such corruption isn't just illegal—it's a massive impediment to creating a stable Iraq. For all practical purposes, Iraq is no longer a single, unified country. Many analysts predict that it [will soon break apart](#) entirely, or devolve into three loosely federated states: a Shia regime controlling everything from Baghdad to Basra; a Kurdish government in the north; and a Sunni rump state, centered in Anbar Province, that will rival Palestine in its misery. The chaos encourages and enables corruption: As ISIS has grown into the world's most dangerous terrorist organization, the Iraqi government has been paying for huge transactions in the provinces with cash trucked in from Baghdad, and political parties remain free under Iraqi law to accept unlimited funding from foreign countries. “There's a huge focus on making gains against ISIS, which is understandable,” Gustafson says. “But before ISIS there was Al Qaeda in Iraq. If ISIS were eliminated, another group would replace it. As long as you have corruption and misery on this scale, you'll have an environment where terrorism can thrive.”

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Looting American aid and contracts has enabled Iraq's elite to enjoy lavish lifestyles more suited to Beverly Hills than Baghdad. Private [McMansion-style neighborhoods](#) protected by armed guards have popped up across the country, and freshly minted aristocrats navigate the potholed streets in foreign-made luxury cars, dining at restaurants where the cuisine rivals that found in Western capitals. [Corrupt officials and businessmen](#) have moved vast sums to offshore havens in Jordan, Dubai, and Singapore, and into London real estate. According to the Commission of Integrity, \$6 billion in funds belonging to the Iraqi government was recently [discovered in a basement in Lebanon](#),

and another \$14 billion was illegally sent to the United Arab Emirates, Turkey, Iran, the United States, and various European countries. Last October, Adil Nuri, a member of parliament and spokesman for the integrity commission, announced that ten former ministers—including those responsible for defense, oil, interior, transportation, and commerce—had [committed acts of massive fraud](#). “We have ministers who are accused of taking \$900 million,” Nuri said. “Some fake ministry contracts are worth \$1.5 billion.”

Corruption in Iraq reaches across religious and ethnic lines, although those in the Shia majority have reaped the lion’s share of the dirty money. Maliki, who remains the most powerful man in the country, developed an infrastructure of graft during his tenure as prime minister by consolidating control over the defense ministry and the internal security and intelligence agencies, as well as the electoral commission. But [corruption also extends to the Kurdish north](#), where the family of Masoud Barzani, president of the Kurdistan Regional Government since 2005, has looted a massive cut of government revenues. Another prominent Kurdish political leader, Barham Salih, [lived modestly](#) in Maryland before the U.S. invasion in 2003. Today he owns a large estate in the Majidi Mall area of Erbil, Iraq, a new enclave for the wealthy. Former Deputy Prime Minister Saleh Al Mutlaq, a member of the Sunni minority, divides his time between Baghdad and Amman, where he has, according to one well-placed source, bought a huge estate with government funds he pocketed. “The government is like a cake,” says Hameed Al Gaood, a businessman from Anbar Province and the son of a Sunni tribal sheikh from the region. “Everyone has a slice of it.”

What is most shocking about the widespread corruption is how brutally the Iraqi government deals with reformers who are fighting fraud and graft—and how the Obama administration has ignored the overt retaliation. Last September, Nathim Naeem, an employee of Iraq’s trade ministry, was [killed in a car bombing](#) just as he was preparing to deliver documents to the Commission of Integrity exposing corruption at his agency. (Trade Minister Abdul Kareem was investigated in connection with the murder, but was soon cleared.) Indeed, the integrity commission itself has faced intimidation since its founding. Judge Radhi Hamza Al Radhi, the first head of the commission, [received anonymous death threats](#) after Maliki’s government pressured him to ease up on corrupt officials. Radhi resigned and fled to the United States, where he was granted asylum in 2008.

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The conventional wisdom is that George W. Bush is to blame for the catastrophe in Iraq, and that Barack Obama has done the best he can to manage the disaster he inherited. But Bush’s tenure as commander-in-chief ended five years after the invasion; Obama has owned this debacle for the past eight. Maliki, the man most responsible for the corruption and sectarian violence that have shattered the country, served six of his eight years as prime minister under Obama. His successor, Prime Minister Haider Al Abadi, has recently [made a few stabs at reform](#), though he has been unable to sweep aside the thousands of corrupt appointees to government ministries. The reality is that corruption is now so thoroughly entrenched in Iraq that it will be almost impossible to excise.

The year before Obama was elected, the chief investigator for the Commission of Integrity, Salam Adhoob, fled to the United States. Like Radhi before him, Adhoob had received death threats, and more than 30 of his co-workers had been murdered. Appearing before the U.S. Senate, he testified that [“corruption and waste”](#) were widespread throughout the Iraqi government, especially at the defense ministry, “where cronyism, party favoritism, nepotism, and the lack of even minimal financial controls resulted in the embezzlement, theft, and waste of billions of American taxpayer dollars.”

In one case of fraud among hundreds, Adhoob discovered a shell company called Al Aian Al Jareya that was controlled by Nair Mohammed Ahmed Jummaily, the brother-in-law of Iraq’s defense minister. Jummaily had gotten rich by taking kickbacks from American companies that received contracts from the Iraqi government. Among Jummaily’s clients, Adhoob testified, was AM General, a company based in South Bend, Indiana, which allegedly funneled millions of dollars to Jummaily’s front company as part of a contract to deliver Humvees to the Iraqi army. According to Adhoob, AM General submitted invoices totaling \$18.4 million to the Iraqi government for work that was not performed, and delivered fewer than 170 of the 520 Humvees called for in its contract.



A gun-repair shop in Erbil. With U.S. arms diverted by fraud, Kurdish fighters must use antiquated weapons in their battle against ISIS. YURI KOZYREV/NOOR

Where did all the money go? According to Adhoob, Jummaily was “a well-known Al Qaeda supporter” who funneled some of the cash into Al Qaeda bank accounts in Amman. “I am convinced—beyond a shred of doubt—that American soldiers died because of this corruption,” Adhoob testified. “Iraq never received the armored vehicles it ordered from AM General. Al Qaeda had better weapons than the Iraqi army because of this corruption.”

Jummaily was never prosecuted for the alleged kickbacks. AM General, which denies the charges, remains a major U.S. government contractor. In April, Hillary Clinton, who was seeking to win the Indiana primary, [toured its facilities in South Bend](#) and praised its corporate leadership.

With little chance of reform in Washington, Iraqis are taking to the streets in Baghdad. The same month that Clinton toured AM General, hundreds of Iraqis [stormed the Green Zone](#) and overran the parliament building. Muqtada al-Sadr, the radical Shia cleric and U.S. antagonist, touched off the demonstrations by calling for “the great popular uprising and the great revolution to stop the march of corrupted officials.”

Demonstrations have continued throughout the summer. In another protest that underscored the cost of corruption, Iraqis marched to express their outrage over an ISIS car bombing that [killed more than 200 people](#) in July. The bombers had driven through a security checkpoint—but the guards had scanned the car with bomb detectors that were nothing but fakes. The devices had no batteries or electronic components—just a radio antenna that swiveled. The U.S. and Iraqi governments [have known for years](#) that the devices—which Iraqis mockingly call “soup detectors”—are useless. The Iraqi defense ministry spent at least \$85 million to purchase them from a British con man named James McCormick, who is currently serving ten years in prison for fraud.