

"It would take an extraordinarily brave businessman to make an investment anywhere in Iraq right now."

J. DANIEL O'FLAHERTY

What Happens In Iraq Doesn't Really Matter To US Economy

BY KEVIN G. HALL

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WASHINGTON — The unraveling of Iraq is of little consequence to the United States in economic terms.

More than a decade after the U.S.-led invasion, Iraq's economy remains in shambles and two-way trade outside the oil sector remains minimal.

So disappointing is Iraq's economy that the Heritage Foundation, the conservative research center that rates countries on its Index of Economic Freedom, is still unable to rank it. Heritage cites "political and security challenges," and notes on its website that Iraq was last ranked in 2002, when Saddam Hussein was in power.

A few marquee signs of American-style capitalism do exist in Iraq. They include a smattering of fast-food joints: McDonald's, Pizza Hut and the like.

Citibank announced last year that it would open a branch office in Iraq. And that most iconic of American products, Coca-Cola, purchased a wholly owned subsidiary in 2011 to manufacture soft drinks in Irbil, the capital of the Kurdish-controlled northern region.

But a close look at trade data shows just how little commercial activity there is outside of Iraq's vast oil and natural gas deposits.

Because of its oil exports, Iraq enjoys a large trade surplus with the United States. Crude oil accounted for almost \$13.29 billion of Iraq's \$13.3 billion in exports to the United States last year. That's

up from \$8.35 billion in 2004 out of \$8.51 billion in total exports to the United States.

After oil, the next largest category is artwork and antiquities. A booming rug trade has taken exports of carpets from \$3,000 in 2004 to \$389,000 last year. But that's chump change in the bustling world of international trade.

U.S. exports to Iraq have grown from \$856.4 million in 2004 to \$2.03 billion in 2013. Military aircraft make up the largest part of that, at almost \$173.5 million last year, closely followed by industrial engines at \$163.8 million and aircraft engines and parts at \$119.9 million.

American ranchers have done better, exporting \$115.7 billion in meat and poultry products to Iraq from \$15.9 million in 2004.

By comparison, U.S. exports to Saudi Arabia totaled \$18.98 billion last year.

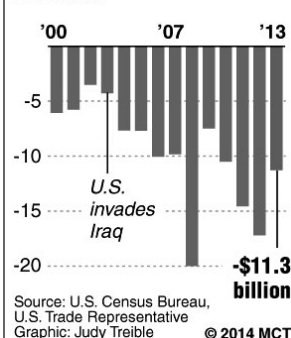
But that's dwarfed by exports to Brazil, another emerging economy, which last year imported more than \$44 billion in U.S. goods. Exports to China exceeded \$122 billion in 2013.

"The United States is not a large trading partner, outside of oil, with Iraq," said Raj Desai, a senior fellow who's studying the global economy for the Brookings Institution, a center-left research center.

When the United States invaded Iraq in 2003, the Bush administration envisioned the country as a model economy for the region. It sought to reverse dictator Saddam's reasonably robust state-owned manufacturing sector and state-controlled economy. In its place would be a competitive private sector that embraced the free market.

U.S. trade with Iraq

The U.S. has a trade deficit with Iraq because of oil imports. The top non-agricultural U.S. export to Iraq is machinery. Trade balance, in billions:



Source: U.S. Census Bureau, U.S. Trade Representative
Graphic: Judy Treible © 2014 MCT

It hasn't quite turned out that way.

The International Monetary Fund has criticized Iraq for failing to establish a strong stabilization fund that ensures oil revenues will be put to specific social and economic uses. Recent Iraqi governments have left themselves enormous discretion on how this money is used. Critics say it's led to cronyism and corruption.

The Defense Department, Desai said, encouraged Iraq to restart the former state-run manufacturing sector, particularly in areas such as engines and industrial equipment. But the government has shown little interest in selling off state assets to the private sector.

"The Iraqi government has distanced itself from anything that reeks of privatization," said Desai, adding that the closest thing it's offered is profit sharing to foreign in-

vestors willing to join a state company.

Consequently, about 60 percent of Iraqis are now in the service sector, selling in markets or making ends meet by working in repair shops, restaurants and the like.

The sectarian violence that's prevalent in Iraq today makes it unlikely the nation will attract much in the way of new foreign investment.

"It's not clear there's going to be an Iraqi state that survives the current conflict," said J. Daniel O'Flaherty, vice president of the National Foreign Trade Council, a trade group for multinational corporations that advocates for clear global rules for trade and investment. "It's not clear that there's going to be a single state."

The Kurdish-controlled northern region remains the more stable and prosperous region, but the growing sectarian violence threatens that bright spot.

"Although things are going well there right now, the long-term prospect as a separate entity is difficult," O'Flaherty said, noting that neighboring Iran and Turkey have Kurdish populations who've long sought to create a broader new nation. These countries have oppressed their Kurdish populations and haven't shown interest in ceding their own national territory.

Analysts fear that Iraq might break into two or even three nations, one more factor that's weighing against any trade and investment in the near term.

"It would take an extraordinarily brave businessman to make an investment anywhere in Iraq right now," said O'Flaherty.

US Gets Legal Protections For Forces In Iraq

BY LOLITA C. BALDOR

Associated Press

WASHINGTON — The United States and Iraq have reached an agreement on legal protections for American commandos deploying into Iraq to assess and advise Iraqi forces, three years after efforts to reach a similar pact for a larger U.S. force failed.

Rear Adm. John Kirby said Monday that Iraq outlined acceptable legal assurances for the short-term mission in a diplomatic note ensuring that troops will not be subject to Iraq's judicial process. Instead, if there are

any problems, troops would be adjudicated under the U.S. Uniform Code of Military Justice.

The agreement allows the deployment of several teams of special operations forces, including U.S. Army Green Berets, to conduct an initial assessment of Iraq's military and will lead to the eventual deployment of up to 300 forces who will serve as advisers.

The legal immunity protections announced Monday are similar to those provided to U.S. civilians and troops working out of the embassy, officials said.

White House spokesman

Josh Earnest drew a distinction between the current situation and the administration's desire in 2011 to have the Iraqi parliament approve immunity for American troops when the U.S. was looking to keep a residual force behind. Iraq refused to sign that agreement and the U.S. pulled all but a small number of forces out of the country in December 2011. Less than 200 troops, largely providing security, have remained at the embassy as part of the Office of Security Cooperation.

"We're dealing with an emergency situation — that's the first part — and

there is an urgent need for these advisers to be able to do their work on the ground in Iraq," Earnest said, adding that they are going in at the request of the Iraqi government.

Officials also noted that the force being sent in now is much smaller than the several thousand that the military planned to leave there after 2011.

Two teams of special forces are already in Iraq and could begin their assessments later this week. Four more teams are expected to join them soon. Each team is made up of about a dozen members.

VA Challenged On Its Handling Of Charges

BY KEVIN FREKING

Associated Press

WASHINGTON — A top federal investigator has identified "a troubling pattern of deficient patient care" at Veterans Affairs facilities around the country that she says was pointed out by whistleblowers but downplayed by the department.

The problems went far beyond the extraordinarily long wait time for some appointments — and the attempts to cover them up — that has put the department under intense scrutiny.

In a letter Monday to President Barack Obama, Carolyn Lerner of the U.S. Office of Special Counsel cited canceled appointments with no follow up, drinking water contaminated with the bacteria that causes Legionnaires' disease and improper handling of surgical equipment and supplies.

Acting VA Secretary Sloan Gibson said he had launched a departmental review due to be completed within 14 days. "I am deeply disappointed not only in the substantiation of allegations raised by whistleblowers, but also in the failures within VA to take whistleblower complaints seriously," he said in a statement.

Lerner said the VA consistently acknowledges problems but says the quality of patient care is not affected, which she referred to as "the VA's typical harmless error approach."

"This approach has prevented the VA from acknowledging the severity of systemic problems and from taking the necessary steps to provide quality care to veterans," Lerner wrote to Obama. "As a result, veterans' health and safety has been unnecessarily put at risk."

Complaints about a lack of access to VA health care have prompted a national outcry that led to VA Secretary Eric Shinseki's resignation. The most startling allegations have arisen out of the VA's medical center in Phoenix, where a VA inspector general's investigation found that about 1,700 veterans in need of care were "at risk of being lost or forgotten" after being kept off an official, electronic waiting list.

Lerner says the office is reviewing more than 50 complaints alleging threats to patient health and safety and has referred 29 of them to the VA for investigation.

Her office is an independent investigative and prosecutorial agency that protects federal workers from prohibited personnel practices, especially reprisal for whistleblowing.

Lerner said two cases highlight her concerns. In Fort Collins, Colorado, the VA's Office of Medical Inspector confirmed multiple violations of policy concerning appointment scheduling and cancellations that masked true wait times. Nearly 3,000 veterans were unable to reschedule cancelled appointments, and one nurse practitioner alone had 975 patients unable to reschedule appointments. However, the same office did not substantiate that the failure to properly train staff resulted in danger to public health and safety.

Lerner said the VA's conclusion "is not only unsupported on its own, but is also inconsistent with reports by other VA components examining similar patient-care issues."

In a second case, a VA psychiatrist disclosed concerns about patient neglect in a long-term mental health care facility in Brockton, Massachusetts. One veteran who was a resident of the facility between 2005 and 2013 had only one psychiatric note written in his chart. Another was admitted to the facility in 2003, yet his first comprehensive psychiatric evaluation did not occur until 2011.

Despite the findings, the VA said there was no impact on patient care. A follow-up was requested, and the VA again said it did not feel that the patient's rights were violated.

"Such statements are a serious disservice to the veterans who received inadequate patient care for years after being admitted to VA facilities," Lerner wrote. "Unfortunately, these are not isolated cases."

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