

In search of a quick dinar

Iraqi businessmen embracing shot at unrestricted capitalism

By Warren Vieth
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BAGHDAD, Iraq — Inside the marble-tiled lobby of the Hotel Ekal, investors carrying side arms are negotiating business deals. A mile or so away, two brothers are installing one of this capital's first Internet cafes. Above the entrance to the House of Elegant Bodies, a poster of a pumped-up Arnold Schwarzenegger lures potential U.S. patrons.

The reconstruction gold rush has begun.

While the Pentagon-run Office of Reconstruction and Humanitarian Assistance gradually gets a grip on Iraq's postwar needs eight weeks after Baghdad fell to allied forces, the private side of rebuilding is proceeding at breakneck speed — without much in the way of government involvement, official supervision or international approval.

"Get ORHA out of the way," said Rubar Sandi, an Iraqi-American investment banker who began leasing property and launching commercial ventures almost as soon as the smoke cleared. "Let the business community do this. They know what to do and how to rebuild."

The reconstruction effort of officials, consultants and contractors affiliated with ORHA, which recently changed its name to the Coalition Provisional Authority, is expected to consume tens of billions of dollars over a period of several years.

But for the untold number of independent businesses, investors and would-be entrepreneurs operating independently of ORHA, a deal can be negotiated, approved and put into effect between afternoon tea and 11 p.m. curfew.

"A lot of people see they can sell their property, get cash, buy some products and sell them, make quick money," said 37-year-old Karam Hasan, who is trying to sell his Al Arz barbershop — if the price is right.

Sometimes the two tracks of reconstruction collide.

Sandi, a merchant banker, came to Iraq with plans to install a cellular telephone network and launch a commercial airline. He said he had a telecom vendor ready to start installing towers and relay stations. He had arranged to lease several jetliners and hire former Iraqi Airways pilots, crews and ground personnel to begin twice-weekly flights from New York to Baghdad.

But ORHA had other ideas, said Sandi, who founded the U.S.-Iraq Business Council in Washington, D.C., and participated in the State Department's pre-war Future of Iraq rebuilding project.

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Iraqi businessman

"They are not facilitators," he said of ORHA officials. "They are not helpful. They are nothing but a bunch of bureaucracy."

Sandi put his telephone and airline plans on hold. Instead, he teamed up with a local partner, hired about 300 Iraqis and began providing security, transportation, catering, translation and professional services to visiting executives. He leased four hotels, including the 280-room Al Sadir and 200-room Hotel Baghdad, which he plans to develop into full-service business centers.

Sandi greets visitors in the Ekal, a smaller hotel that has become the temporary nerve center of his reconstruction network. Armed guards check IDs and issue passes. Above the elevators are two clocks, each bearing a new sign: One says "Baghdad," the other "Texas."

Life in reconstruction's fast lane is not without risk. Business schemes that appeared flawless might grow warts on closer inspection. Competition can be



Hundreds of televisions are unloaded outside a store in Baghdad, Iraq. Prices are falling, particularly for those carrying wads of Iraqi dinars. Some sets sell for 280,000 dinars (about \$200), down from 350,000 dinars before the war.

cutthroat. Capital can dry up. Vendors and purchasers can renege on agreements. Trusted partners can turn out to be thieves.

Hasan, the barber, thought he could turn a quick dinar by purchasing what was described to him as a solid silver jewelry box from the palace of Saddam Hussein's son Uday. He bought the box, but it turned out to be a plated product of dubious origin, worth considerably less than he paid.

Hareth Zahawi, a subcontractor who has been attempting to line up reconstruction work for native Iraqis, was discussing a possible alliance with a Kuwaiti firm, only to learn that the company was using information obtained from Zahawi to cut its own deal with the coalition. "They tried to sideline us," Zahawi said. "It's a serious risk."

Some experts express concern that free-market capitalism, while efficient at channeling money to its most productive use, might be too much, too soon for a country struggling to emerge from decades of failed central planning.

Nearly 500,000 Iraqis are losing government paychecks as the coalition dismisses Saddam's military forces, dissolves his Information Ministry and removes Baath Party loyalists from other agencies. Thousands more might join them as inefficient state-operated industries fall by the wayside.

Iraq's emaciated private sector will suffer casualties too. Some experts predict that home-grown merchants, traders, builders and service providers will be squeezed out by foreigners with more experience, deeper pockets and closer ties to the United States and its allies.

Still, for every economic wringer, there is at least one cowboy capitalist ready to tame the new frontier.

"It's like Texas in 1879," said Hussein Ali, who was not sure why he chose to cite that year in particular. "There are no rules."

Hussein Ali and his younger brother Ghassan, both engineers, are ready to escort fellow Iraqis from the 19th century to the 21st. They are preparing to open three Baghdad Internet cafes where patrons ready to spend \$3 to \$4 an hour will be able to cruise the Web and catch up on e-mails.

They were planning to hook up PCs to satellite receivers inside the cafe, a small outlet affixed to the Baghdad Hotel.

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