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**Victory in Iraq and the Fracture Lines in
Iraq and the Middle East**

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Introduction

The postwar nature of Iraq will take years to develop and many of the initial indicators will prove to be misleading or false starts. In some areas the war and postwar efforts at nation building will only have limited impact, while in other cases, changes may prove to have slow starts but a high cumulative impact.

The following seem likely to determine the outcome:

- Quality of US/British-international planning for peace making and nation building,
- Effectiveness of peacekeeping and intervention to bring Iraqi factions together.
- Scale of humanitarian and economic aid,
- Ability to limit interference by neighbors, minimize regional competition for influence in Iraq,
- Ability to restructure Iraqi economy away from command to modern economy,
- De-Saddamization of the state system, including national oil company,
- Legal status of Iraq as new or inheritor state and impact on debt, reparations, and existing contingency and ongoing contracts,
- How the Iraqi oil industry is reshaped, repaired, renovated, and expanded,
- Role of Iraq in OPEC,
- Status of damage to non-Iraqi facilities in the region,
- Arab and Islamic perceptions of war, conflict termination, and nation building effort – pro or con,
- Broader Political ramifications in the region, and
- Post conflict terrorism response if any.

The analysis that follows suggests that the difficulties involved in transforming Iraq into a modern nation involve so many problems and fracture lines that it may be years before the outcome in Iraq alone is clear – much less how the nature of a postwar Iraq will impact on the other states in the Middle East, It also seems likely that the fracture lines within Iraq are so great that the US, Britain, and other outside powers can at most place Iraq on the road to a more pluralistic federation and economic reform and development.

Giving Iraq the right start will, in itself, will be a major achievement. In practice, however, it means Iraq's future really will be one where Iraq is shaped by the Iraqis. Creating stable new patterns of political, social, economic and energy development will take at least 5-10 years, and it seems doubtful that outside powers can have a major impact on Iraq's decisions for more than two.

Looking at Postwar Iraq: The Internal Political Fracture Lines

All nations face constant difficulties in their development and the best constantly overcome them. The fact that Iraq faces serious internal problems after thirty years of dictatorship is important, but so is the fact it now has many new opportunities. Similarly, the initial postwar problems in Iraq in securing the countryside, looting, rioting, and ethnic issues all do raise serious questions. However, it is far from clear whether they are simply the initial teething problems of emerging from dictatorship, or the signs of far more enduring problems.

KEY POLITICAL FRACTURE LINES

It does not take an act of genius to predict that the political future of a postwar Iraq will not be as good or as bad as the more extreme voices favoring either future have projected. A war can remove a regime. It cannot create a new culture or set of values, or suddenly change a political system and an economy. Iraq is a sophisticated state with 24 million people. At the same time, it is a nation with a 30-year old dictatorial regime, and no modern political parties.

Iraq has many political fracture lines, which are summarized in Table One. These include major religious and ethnic fault lines that date back to the Ottoman Empire. It is 60-65% Shi'ite, but has been rule by a Sunni elite than was not even based on broad representation of the entire Sunni community.

Iraq is largely urban, but has had a ruling elite more clan and tribally oriented around village society. It is largely Arab (75%+), but has a large Kurdish minority, a significant Turcoman minority, and other minorities – including Assyrian Christians. Its minorities have deep internal fault lines, but have all face significant Arab persecution.

DIVISIONS WITHIN DIVISIONS

There are divisions within divisions. Saddam encouraged a steady growth of tribal and clan divisions between 1992 and 2003, as part of his divide and rule tactics. The Kurds have long been divided between a "Barzanistan"-- that was more than willing to make alliances with Saddam, the Turcomans, and Turks – and a "Talibanistan" that made occasional alliances with Iran. The shell of a modern Kurdish democracy developed after 1992, but the economy and stability of the Kurdish enclave depended on aid, smuggling, and oil for food income – not economic development. At least some Kurds also took the side of Saddam. The Turcomans came to regard both Kurd and Arab as potential

oppressors, and Saddam used the Assyrian Christians to displace Kurds in the north in ways that may come back to haunt them.

The ruling Sunni minority feuded, and divided by town, clan, and family. The Shi'ite divided between secularists, modern religious Shiites, traditional religious Shi'ites, and those who supported the regime. The development of the south received far less attention than the development of Sunni areas, except for Basra. A low-level civil war by Shi'ite opponents of the regime targeted fellow Shi'ites as well as the regime, and long-standing feuds over the control of Shi'ite religious shrines and revenues continued to affect Najaf, Kerbala, and other cities. There are also tensions between the religiously-oriented segment - led by the Iranian-backed Mohammed Baker Al-Hakim, and the more moderate and pro-Western Shiites -led by the Khoei family and INC.

Table One

The Internal Tensions Post War Iraq Begins With

INSIDERS VERSUS OUTSIDERS

- Outsiders vs. Insiders: INC, INA, Hakim: Enemy of our enemy is not our friend.
- The national "interests" include conflicting political lifestyles, competing economies based on the same resource or lack thereof-oil, sectarian and tribal enmities, and level of comfort in a prolonged U.S. military presence in the region.
- Of Iraq's 23 million population, more than 3 million are in exile today, primarily in Jordan, Europe, and the United States. Many of them represent the cream of Iraqi society-its scholars, writers, scientists, intellectuals, technicians, and craftsmen.
- The wars and the long years of sanctions have decimated the ranks of Iraq's middle class-the talented, educated, doctors, lawyers, professional bureaucrats and civil servants-who ran the government civil service, schools, offices, and hospitals.
- Those who remained belonged to the Baa`th Party, but most were probably members for the perquisites a Party credential guaranteed-education, careers, and the promise of a secure future, albeit one in a dangerous political environment.
- The Iraqi opposition in exile, led by the Iraqi National Congress (INC) and Ahmad Chalabi, will assume that they deserve the spoils of war; they may be present with U.S. units. They will promise a broad coalition crossing the ethnic, political and sectarian elements that comprise
- Chalabi and the INC are known quantities and extremely unpopular inside Iraq.
- The Iraqi National Accord, led by a former general and a Baa`th Party refugee, and other once-prominent military and political defectors will demand their share of the pie as well.
- Iraq Sharif Ali, representing the Constitutional Monarchists (he is convinced that Iraqis will choose this path if only they were given the choice);
- Kurds representing the 2 major factions, the Barzani-led Kurdish Democratic Party and the Talabani-led Patriotic Union of Kurdistan
- 65 percent of the population that is Shia, represented by the Iran-based Supreme Council for the Islamic Revolution in Iraq (SCIRI) led by Ayatollah Muhammad Baqr al-Hakim;
- Trace elements of the Turkoman, Assyrian and Christian communities.
- Moreover, coalitions have an unlucky history here-none have survived long enough to govern, the last being the 17 July 1968 coalition that the militant Baptists and Saddam Husayn replaced 2 weeks later.

SECTARIAN AND ETHNIC PROBLEMS:

- Iraq has no democratic tradition-not under the British, not under the King, and certainly not under the authoritarian military- and party-dominated regimes that have ruled Iraq since 1920.
- No political parties, and serious risk of service politics.
- Mutually conflicting lines of demarcation, particularly over oil and oil revenues.
- No rule of law, functional legal system.
- No stable pattern of separation of executive and legislative. Both presidential and parliamentary systems offer risk of Saddam B, or one man, one vote, one time,

- It will have to build a new political institutions that are democratic, pluralistic, transparent, and diverse. At the same time, Iraq's Kurds talk about federalism and many outside Iraq believe Iraq can be easily divided among its ethnic and religious communities.
- It cannot be so easily divided. Kurdish and Arab areas seem reasonably clear-cut until one hears the Kurds' demand for control of oil-rich Kirkuk, claimed also by the Turkmen and controlled by the Arabs.
- Iraq's Sunni Arabs are probably the most concerned about the implications of any democratization, pluralism, or federalism. Only 17 percent of the population, they have ruled Iraq since Ottoman times and many tend to regard the Shia and Kurds as irrelevant.
- Many Iraqis, and not just Saddam or his Baa`thist minions, still believe Kuwait should be the 19th province someday. They also harbor deep distrust of Iran.

A SHATTERED MILITARY: RESTRUCTURING THE SECURITY AND MILITARY FORCES WILL PRESENT BOTH REGIONAL AND INTERNAL PROBLEMS:

- To reflect the shape of the new government, it will have to be turned into a more diverse institution-bringing in once again Kurdish and Shia recruits into all echelons of the military.
- Some Kurds were/are among the senior ranks now but the number is not known;
- Shia recruits were nearly 80 percent of the regular army but few made it to the Republican Guards or senior leadership.)
- Under Saddam the Iraqi Regular Army was stripped of its status, prestige, and weapons and subordinated in the 1980s to the Republican Guard, whose members are recruited from especially loyal Sunni Arab tribes, including the al-Ubayd, al-Jabbur, al-Shammar, and al-Ani.
- Virtually untouched by the Kuwait War-they were withdrawn from Kuwait to Baghdad-they emerged from the war with whatever was left of military hardware, continued to train, and effectively put down the rebellion in southern Iraq.
- They were prevented from similar success against the Kurds only by Operation Provide Comfort (now Northern Watch).

SADDAM'S EXPLOITATION OF TRADITIONAL TRIBAL CHIEFS AND LEADERS, ESPECIALLY OUTSIDE THE LARGE CITIES AND IN THE MORE ISOLATED SOUTH AND WEST.

- Saddam restored tribal rights to administer local justice and impose taxes so long as they did not contravene national law and maintained law and order. tribal elements manned local police and security posts and that the national police and security organizations manned border posts, major
- Baath Party members once patrolled the streets of the cities and helped maintain law and order, but some sources report that since the Kuwait War and imposition of sanctions these Iraqis are too busy working 2 or 3 jobs to feed their families and too demoralized to care.

Looking at Postwar Iraq: How Its Political Fracture Lines Interact with Its Neighbors

All of Iraq's political fracture lines do have a potential impact outside Iraq, as well as within it. Rather than act to stabilize or "reform" the region, they pose potential threats of regional tensions and conflicts. Iran has a longstanding interest in Iraqi Shi'ite religious politics, and in the role and power of Shi'ites in Iraqi society and politics. This interest is religious (key shrines and seminars are in Iraq), ideological (Iran favors a more theological Shi'ite power structure), security (avoiding another war and limiting the impact of a US presence on its border and in the Gulf), power-political (a weak Iraq is a strong Iran in terms of Gulf power politics.), energy (oil production and quotas), and economic (Iran has reparations claims left over from the Iran-Iraq War, and would like to clear the Shatt Al Arab.)

Turkey fears Kurdish autonomy and a lack of security along the border of its own Kurdish area. It is politically committed to supporting Iraq's Turcoman minority. Turkey needs oil pipeline revenues from Iraq, and sees Iraq as a major trading partner – one where its exports including agriculture and manufactures can be far more competitive than in the EU. As a result, Turkey does not want to see Kurdish control of Mosul or Kirkuk, or a major Kurdish role in control of Iraq's northern oilfields. Iraq's Kurds, in turn, still have some ambitions to create an independent Kurdistan including Turkey's Kurds. They and fear and resent the Turks, who sent in troops to hunt down Turkish Kurdish guerrillas hiding in Iraq five times between 1991 and 2003.

Saudi Arabia and the Gulf Arab states fear the break up of Iraq's Territorial Integrity, a Loss of Sunni Control, and a Shift in the Balance of Power in the Gulf. All Arab states fear any weakening of Arab control of Iraq, and any break up that would give Iraq's Kurds independence. The Southern Gulf states are afraid that Shi'ite separatism or control of Iraq would create a major new pro-Iranian power center in the Gulf, potentially destabilizing the balance of power in the Gulf. They are already concerned that Iraq's loss of much of its military power and equipment has gravely weakened its ability to deter Iran.

Jordan fears the loss of trade and low-cost oil: Jordan has long benefited from Iraqi oil subsidies, and from the fact Iraq imported goods through the port of Aqaba because of the Iranian closing of the Shatt al Arab and UN sanctions. The future of such subsidies and trade is now unclear. Jordanians also saw Saddamas a supporter of the Palestinians and Second Intifada.

Syria has lost a major trading partner and counterbalance to Israel: while little love was lost between the two Ba'ath regimes, a rapprochement in recent years have led to better relations, and more trade. Iraq's proliferation and strong conventional forces also acted as a potential threat to Israel. A new regime with far fewer military forces is much less reassuring.

Looking at Postwar Iraq: Iraqi Demographic Fracture Lines

The challenges of shaping a postwar Iraq go far beyond politics. In spite of decades of war and sanctions, Iraq has serious demographic fracture lines. Its population rose from 5.2 million in 1950 to 6.8 million in 1960, 9.4 million in 1970, 13.0 million in 1980, 17.3 million in 1990, and 22.9 million in 2000. UN and US Census Bureau estimates indicate it will rise to 30 million in 2010, 37.1 million in 2020, 43.1 million in 2030, 48.4 million in 2040, and 53.6 million in 2050.

The sheer momentum of population increase is creating a major problem in terms of scarce water and arable land resources and per capita oil income. Per capita oil revenue was a little over \$700 per capita in 2002 versus over \$6,000 in 1980, and had dropped far more in constant dollars. To put this in perspective, Saudi Arabia with somewhat similar population growth, saw its per capita income drop from around \$23,820 in 1980 to \$2,563 in 2001.

Iraq also has a very young population. More than 40% of the population is of 14 years of age or younger. The younger job age population from 15-30 years in 2000 totaled some 2.5 million or 28% of the population and the of the total “bow wave” population aged 14 years or younger totaled 9.6 million. This part of the population has never lived under any other rule than Saddam Hussein’s, has seen its education collapse since the later 1980s, and has little experience with modern jobs and commerce.

Looking at Postwar Iraq: Iraqi Economic Fracture Lines

Iraq has great mid and long-term economic potential, but its postwar government will inherit a command economy crippled by decades of grandiose mismanagement, war, UN sanctions. There has been a steady decline in relative wealth since 1982, not 1991; and 70% of the cut in its GDP per capita occurred before the Gulf War. It has been ruled by an elite that treated it more as a base for a profiteering kleptocracy than national development. Its criminal justice system is corrupted by the regime, and its civil law has nothing approaching a legitimate commercial code.

ECONOMIC STRAINS AND WEAKNESSES

Iraq imports nearly half its food because of a failure to institute agricultural reform and invest in and modernize the agricultural sector. Its banking and commercial sectors are outdated and government dominated. Aside from a state-controlled construction industry, it has no efficient heavy or light industry and its service sector needs major reform.

Iraq’s economy is dependent on UN “oil for food” and its “black” sector to operate. It has been heavily dependent on food imports since late 1970s. Some estimate a 70% dependence on food imports once the economy recovers. It must pay for a medical and educational crisis, and rapidly stabilize its currency and remove the artifacts of a command economy that has been centered around a dictatorship for three decades. It has

some solid economic institutions but no real market system in terms of modern market-driven distribution, banking, insurance, or a uniform commercial code.

While the current war may have only done limited damage to Iraq's infrastructure, much of it reflects underfunding during the Iran-Iraq War and a lack of recovery from the Gulf War. According to one estimate, Iraq had 9,800 megawatts of generating capacity before the 1991 Persian Gulf War, Alsammarae said. Desert Storm left it with only 380. Hussein has since restored about 4,800 megawatts, he said, but the country would need as much as 14,000 megawatts to match its 1990 capacity, adjusted for population growth.

DEBT, REPARATIONS, AND CONTINGENCY CONTRACTS

There are many estimates of Iraq's debt and reparations burden. An analysis by the CSIS is shown in Table Two. They show a total of \$126 billion in debt (\$47 billion in interest), \$320 billion in reparations claims (\$148 billion settled), and some \$57 billion in pending contracts that Saddam Hussein's regime signed with nations like Russia and France.

These burdens could cripple any hope of recovery even more than the treaty of Versailles and WWI reparations claims crippled the economy and political stability of Weimar Germany. To put them in perspective, US intelligence estimates that the entire GDP of Iraq was only \$28.6 billion at market exchange rates in 2002, and only \$15.5 billion at market exchange rates. Its total merchandise exports were only \$13 billion, of which \$12.3 billion were oil export revenues – including the estimated value of some \$3 billion worth of smuggled oil.

Table Two**Iraq's Financial Burden**

- **Total Debt: \$127 billion**
 - Interest: \$47 billion
 - Gulf states: \$30 billion
 - Kuwait: \$17 billion
 - Russia: \$12 billion
 - Bulgaria: \$1 billion
 - Turkey: \$800 million
 - Poland: \$500 million
 - Jordan: \$295 million
 - Morocco: \$32 million
 - Hungary: \$17 million
 - France, Egypt, Others: ?

- **Pending Contracts: \$57.2 billion**
 - Russia: \$52 billion (90%)
 - Netherlands: \$3.6 billion (6%)
 - Egypt: \$740 million
 - China: \$80 million

- **Reparations (Less claims from Iran-Iraq War): \$320 billion claimed**
 - \$148 billion settled
 - \$172 billion unsettled
 - Status of interest on payments unsettled.

Looking at Postwar Iraq: Iraqi Energy and Oil Export Fracture Lines

The glue that will hold Iraq together, or the wealth that will divide it, is energy. Oil still underpins Iraq's exports, market economy, and government revenues. Iraqi oil revenues are critical to its development, as is the proper sharing of such revenues to any hope of political stability.

Iraq's oil wealth is acutely limited in comparison to the past. The EIA estimates that Iraq's oil revenues peaked at \$57.8 billion in 2000 dollars in 1980. They were only \$15 billion in 2001, and \$12.3 billion in 2002. They would only have been \$15.7 billion in 2003 with no war and no discount for smuggling.

At the same time, Iraq has immense future potential. The EIA estimates that Iraq contains 112 billion barrels of proven oil reserves, the second largest in the world (behind Saudi Arabia). Iraq's true resource potential may be far greater than this, however, as the country is largely (90% or so) unexplored due to years of war and sanctions. Deep oil-bearing formations located mainly in the vast Western Desert region could yield large additional oil resources (possibly another 100 billion barrels)

The National Iraqi Oil Company (NIOC) has a large number of competent technocrats and managers and only a light top layer of thugs and killers. Iraq has not, however, had adequate development funding, planning, and management since 1982 – the year in the Iran-Iraq War when Syria closed its pipeline to Iraq and Iraq ran out of money. UN surveys by Saybolt are only preliminary but indicate that Iraq's fields suffer from waterflooding and overpumping in most areas, that only 24 of 73 fields were working before the war, and that, and 12-40% of its oil wells were at risk.

IRAQI OIL DEVELOPMENT NEEDS

There is a clear need for major funding to rehabilitate and modernize Iraq's oil fields, as well as to pay for any wartime damage. At best, its present economic production capacity is 2.8 MMBD, and possibly only 2.5 MMBD. This amounts to about 3% of world markets, and makes it roughly equivalent to Nigeria.

At present, there is no way to predict the short and mid-term future of Iraqi oil development. Experts simply have too limited a knowledge of Iraq's problems, and investment priorities, costs, opportunities. An Iraqi study in 1996 claimed it would cost \$35 billion to get to 3.5 MMBD. Other sources estimate it would take \$7 billion and minimum of 3 years to increase capacity to 3.5 MMBD, and \$20 billion plus to raise capacity to 6 MMBD by 2010.

In December 2002, the Council of Foreign Relations and the Baker Institute released a report that concluded that:

- Iraq's oil sector infrastructure was being held together by "band-aids," and was experiencing a production decline rate of 100,000 bbl/d per year;

- Increasing Iraqi oil production would require "massive repairs and reconstruction...costing several billions of dollars and taking months if not years;"
- The costs of repairing existing oil export installations would be around \$5 billion, while restoring Iraqi oil production to pre-1990 levels would cost an additional \$5 billion, plus \$3 billion per year in annual operating costs;
- Outside funds and large-scale investment by international oil companies would be needed; 5) existing oil contracts would need to be clarified and resolved in order to rebuild Iraq's oil industry, with any "prolonged legal conflicts over contracts" possibly "delay[ing] the development of important fields in Iraq;"
- Any "sudden or prolonged shut-down" of Iraq's oil industry could result in long-term reservoir damage;
- Iraq's oil facilities could easily be damaged during any domestic unrest or military operations;
- Given these problems, a "bonanza" of oil is not expected in the near future.

According to the Middle East Economic Survey, Iraq's oil sector suffers from years of poor oil reservoir management; corrosion problems at various oil facilities; deterioration of water injection facilities; lack of spare parts, materials, equipment, etc.; and damage to oil storage and pumping facilities required major investment. MEES does estimate, however, that Iraq could reach a production capacity of 4.2 million bbl/d within three years at a cost of \$3.5 billion, and a production capacity of 4.5-6.0 million bbl/d within seven years.

CONTINGENCY CONTRACTS SIGNED UNDER SADDAM

The EIA reports that Iraq has signed several multi-billion dollar deals with foreign oil companies mainly from China, France, and Russia. Deutsche Bank estimates they are worth a total of \$38 billion for new field development -- with potential production capacity of 4.7 million bbl/d/

In 1992, Iraq announced plans to increase its oil production capacity to over 6.3 million bbl/d following the lifting of U.N. sanctions. This plan, which was to be accomplished in three phases over a five-year period, assumed billions of dollars worth of foreign investment. Much of the production was to come from giant fields in the south (Halfaya, Majnoon, Bin Umar, West Qurna), plus the Mishrif reservoir (Luhais, North and South Rumaila, Zubair, etc.), East Baghdad, and others.

The EIA estimates Russia has a \$3.7 billion, 23-year deal to rehabilitate Iraqi oilfields, particularly the 11-15 billion barrel West Qurna field (located west of Basra near the Rumaila field). In October 2001, a joint Russian-Belarus oil company, Slavneft, signed a \$52 million service contract with Iraq on the 2-billion-barrel, Suba-Luhais field in

southern Iraq. Full development of Suba-Luhais could result in production of 100,000 bbl/d (35° API) at a cost of \$300 million over three years.

The economic competitiveness of the French and Russia contracts is unclear, and Iraq may have a strong interest in renegotiating them.

THE ETHNIC FRACTURE LINES OF OIL DEVELOPMENT AND CONTROL

The divisions between Kurds, Sunnis, and Shi'ites could greatly complicate the future development of its present fields, much less its unproven reserves. While some of the current fields are in Sunni areas, and major new potential reserves exist in the Sunni west, Iraq's proven oil reserves are not distributed evenly throughout the country. In fact, prior to Iraq's invasion of Kuwait in 1990, about two-thirds of Iraq's production was coming out of the southern fields of Rumaila, Zubair, and Nahr Umr in Shi'ite areas. Other potentially huge fields such as Majnoon and West Qurna (see below for more details) are also located in the southern part of the country.

The EIA data on the fields show Iraq's main recent export crudes come from the country's two largest active fields: Rumaila and Kirkuk. The southern Rumaila field produces three streams: Basra Regular (normally 34° API, 2.1% sulfur, but apparently deteriorating); Basra Medium (30° API, 2.6% sulfur); and Basra Heavy (22° -24° API, 3.4% sulfur).

The northern Kirkuk field, first discovered in 1927, normally produces 37° API, 2% sulfur crude, although the API gravity reportedly has fallen in recent years. An additional export crude, known as "Fao Blend," is heavier and more sour, with a 27° API and 2.9% sulfur.

Iraq also needs money to develop its gas resources to allow it to meet domestic energy demand while freeing oil for export, and to restore and expand its downstream operations. Iraq's refining capacity in January 2003 was about 417,000 bbl/d, compared to a pre-Gulf War, nameplate capacity of 700,000 bbl/d. Iraq has 10 refineries and topping units. The largest are the 150,000-bbl/d Baiji North, 140,000-bbl/d (or higher) Basra, and 100,000-bbl/d Daura plants.

The EIA reports that both Baiji in northern Iraq as well as the refineries at Basra, Daura, and Nasiriyah were severely damaged During the Gulf War. Iraq currently lacks light-end products, and relies on low quality gasoline. Rising pollution levels because of a lack of water treatment facilities are also problems for Iraq's refining sector. Iraq's prewar/post-sanction plans called attracting foreign investment to perform refinery upgrades (Iraq identified dozens of such projects) and for a new \$1-billion, 290,000-bbl/d "Central" refinery near Babylon.

THE FRACTURE LINES OF OIL AND GAS EXPORTS

The movement of Iraqi oil has its own ethnic and international fracture lines. The Kirkuk-Ceyhan pipeline goes through the Kurdish area but favors Turkey. The line to Jordan has

long been a non-competitive subsidized route. Its most efficient shipping route is through Mina al-Bakr to Asia, but then no country other than Iraq benefits. The Kirkuk-Banias pipeline favors Syria. All can be expected to put pressure on the new regime to serve their own interests.

The war does not seem to have done major additional damage to these export facilities, but some still reflect damage from the Gulf War. The EIA reports that the 600-mile, 40-inch Kirkuk-Ceyhan pipeline is Iraq's largest operable crude export pipeline. It has a design capacity of 1.1 million bbl/d, but reportedly can handle only around 900,000 bbl/d. A second, parallel, 46-inch line has an optimal capacity of 500,000 bbl/d and was designed to carry Basra Regular exports, but at last report was inoperable. The two parallel lines have an combined design capacity of 1.5-1.6 million bbl/d.

On August 20, 1998, Iraq and Syria signed a memorandum of understanding for the possible reopening of the 50-year-old, rusting Banias oil pipeline from Iraq's northern Kirkuk oil fields to Syria's Mediterranean port of Banias (and Tripoli, Lebanon). The pipeline had been shut for 17 years.

In order to optimize export capabilities (i.e., to allow oil shipments to the north or south), Iraq constructed a reversible, 1.4-million bbl/d "Strategic Pipeline" in 1975. This pipeline consists of two parallel 700,000-bbl/d lines. The North-South system allows for export of northern Kirkuk crude from the Persian Gulf and for southern Rumaila crudes to be shipped through Turkey. During the Gulf War, however, the Strategic Pipeline was disabled after the K-3 pumping station at Haditha -- as well as four additional southern pumping stations -- were destroyed.

Iraq has three tanker terminals in the Gulf at Mina al-Bakr, Khor al-Amaya, and Khor az-Zubair (which mainly handles dry goods and minimal oil volumes). Mina al-Bakr is Iraq's largest oil terminal, with four 400,000-bbl/d capacity berths capable of handling very large crude carriers (VLCCs). Gulf War damage to Mina al-Bakr has been largely repaired and the terminal can handle up to 1.2-1.3 million bbl/d. A full return to Mina al-Bakr's nameplate capacity apparently would require extensive infrastructure repairs. Mina al-Bakr also is constrained by a shortage of storage and oil processing facilities, most of which were destroyed in the Gulf War.

The EIA reports that Iraq's Khor al-Amaya terminal was heavily damaged during the Iran-Iraq War (and completely destroyed during Operation Desert Storm in 1991) and has been out of commission since then. As of March 2001, reports indicated that Iraq had largely completed repairing two berths at Khor al-Amaya. Upon full completion of repairs, Iraq projects Khor al-Amaya's capacity will rise to 1.2 million bbl/d

Gas exports are also an issue. The EIA reports that Iraq has a major natural gas pipeline with the capacity to supply around 240 MMcf/d to Baghdad from the West Qurna field. The 48-inch line was commissioned in November 1988, with phases II and III of the project never completed due to war and sanctions. The last two phases of the pipeline project were meant to supply Turkey.

Iraq's Northern Gas System, which came online in 1983, was damaged during the Gulf War as well as by the Kurdish rebellion of March 1991. The system supplied LPG to Baghdad and other Iraqi cities, as well as dry gas and sulphur to power stations and industrial plants. Iraq also has a Southern Gas System, which came online in 1985. Natural gas also used to be pumped from Rumaila into northern Kuwait via a 40-inch, 105-mile pipeline. The gas was used to supply Kuwaiti power stations and LPG plants, but was halted following Iraq's invasion of Kuwait in August 1990.

The Fracture Lines of Disarmament

Another set of fracture lines must come out of the need to both disarm Iraq of its weapons of mass destruction and give it new capabilities for self-defense. The full nature of the problem remains unclear, although continued land combat and some 18,000 precision weapons have almost certainly left Iraq with limited war fighting capability. When these effects are combined with the near destruction of the Republican Guard, massive air and surface-based air defense losses, and massive desertions in the regular forces, the net result is that Iraq will lose whatever missile and WMD capabilities it had without having any significant conventional war fighting capabilities.

As a result, the problems of rebuilding Iraqi military forces will not only be affected by all of the previous political and economic fracture lines, they will be affected by the following questions:

- How can conventional capabilities be retained? What force levels, arms modernization, military cost?
- How does one disarm a nation with practical experience in CBRN weapons? Intellectual capital? Dual-use facilities?
- Mid and long-term impact of Israeli, Syrian, Iranian, Pakistani, and Indian proliferation.
- How can the US provide security and prevent factional forces or warlords?
 - --Kurdish disarmament?
 - --Creation of multi-ethnic policy?
 - --De-Ba'athification
- Role of non-US/UK forces in security and peacekeeping role?
- How to transition to Iraqi rule of law, enforcement of human rights, and police and security activity.

Finally, the issue arises as to how the US and UK will guarantee Iraq suitable security in a region where key neighbors like Iran and Syria are major proliferators, and an exposed Iraq could be vulnerable to pressure and attack.

