

Reconstruction Of Iraq Post – Saddam Hussain

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PREAMBLE

It is said that successful post-conflict reconstruction does not begin “the day after.” It begins “the day before.”

For that purpose, well before the liberation of Iraq, the U.S. Administration, together with several research institutes, think-tanks, and scores of Iraqi technocrats, have prepared a wealth of studies, reports, documents, and seminars on the subject of post-Saddam Iraq. The majority of these studies were carried out under the leadership of the National Security Council, the Office of Budgetary Management, the C.I.A., and the Department of State. They focused on a number of areas including, but not limited to, education, health, water and sanitation, electricity, shelter, rule of law, transportation, agriculture, communications, defense policy, foreign policy, economic and financial policy, media and press, oil and energy, return of refugees and internally displaced persons, democratization process, and transitional justice. These studies were immensely helpful in preparing this paper.

Reconstruction of the new Iraq is a challenging task. It calls for an in-depth knowledge of Iraq, its historical past, its present needs, and its people aspiration for a better future.

This paper begins with background information about Iraq presented in two tables: **Table-1** provides a short historical timeline, while **Table-2** presents some useful statistical data.

TABLE OF CONTENTS

PREAMBLE	3
RECONSTRUCTION OF IRAQ	11
I. The Challenges Of Reconstruction.....	12
II. Tools & Resources Of Reconstruction.....	15
III. Costs Of Reconstruction.....	16
IV. Phases Of Reconstruction.....	18
▶ Phase One: Stabilization.....	19
▶ Phase Two: Transition.....	19
▶ Phase Three: Transformation.....	22
V. Iraq's Oil & Gas.....	23
▶ Background.....	23
▶ Reorganization Of The Oil Sector.....	25
▶ Expected Oil Revenues.....	26
VI. Iraq's Financial Obligations.....	28
▶ How To Resolve Iraq's Financial Obligations.....	30
VII. De-Ba'athification Of Iraq.....	32
VIII. Territorial Integrity, Federalism, & Ethnic Diversity.....	35
IX. Concluding Remarks.....	37
▶ Middle-East Oil Region, Islam, & Fundamentalism.....	37
▶ The Days Ahead.....	39
APPENDICES	40
Appendix – A Iraq's Membership in Regional & International Organizations.....	41
Appendix – B Bibliography.....	43

LIST OF TABLES

TABLE-1	Iraq – Historical Timeline.....	6
Table-2	Iraq – Statistical Data	8
Table-3	Estimated 5-Year Military Costs	16
Table-4	Aggregate Reconstruction Costs.....	17
Table-5	Foreign Oil Companies & Their Home Countries	25
Table-6	Iraq’s Oil Exports & Revenues, 2003-2020	27
Table-7	Iraq’s Financial Obligations As Of March 2003	28
Table-8	Iraq’s Major Creditors.....	29

Table-1
Iraq – Historical Timeline

YEAR	EVENT
1533 – 34 AD	Iraq is conquered by the Ottoman Empire.
1917	British occupation of Iraq.
1921	British government installs Prince Faisal (a non-Iraqi) as King of Iraq.
1925	Elections for a parliament are held. Concessions to search for oil are given to international companies.
1932	Iraq is declared an independent kingdom and admitted to the League of Nations.
1941	Nationalist army officers attempt a failed coup. The British regain control after a four-week war. A pro-British government is formed.
1950 – 52	Oil revenues increase substantially. The Iraqi government enters into a 50-50 oil revenues sharing with the foreign oil companies. Iraq directs the revenues for the development of Iraq through the Ministry of Development (later re-named as Ministry of Planning).
1958 (July)	The army leads a coup in which the monarchy is overthrown. The Royal family is killed and Iraq is declared as a Republic .
1963 (February)	The Ba'ath Party, with help from few military elements, stages a coup and gain control of Iraq.
1963 (November)	The Ba'ath Party is overthrown by a military coup.
1968 (July)	The Ba'ath Party stages yet another coup and gains control of Iraq. Saddam Hussain becomes Vice-Chairman of the Revolutionary Command Council (RCC).

YEAR	EVENT
1972 (June)	Nationalization of oil.
1979 (July)	Saddam Hussain becomes President of Iraq. Within thirty (30) days, Saddam executes some 400 high-ranking members of the Ba'ath Party. The reign of terror begins.
1980 (September)	Iraq invades Iran. The war lasts eight (8) years.
1988 (August)	Iraq signs ceasefire agreement with Iran. At the same time, Saddam's army attacks the Kurdish area of Iraq using chemical weapons.
1990 (August)	Saddam's regime invades Kuwait. U.N. Security Council imposes numerous sanctions resolutions against Iraq.
1991 (February)	Allied forces drive Iraq out of Kuwait.
2003 (March)	United States and Britain commence military activities for the liberation of Iraq.
2003 (April)	The fall of Baghdad and the end of Ba'athist Regime.

TABLE-2
Iraq – Statistical Data

- Iraq is bounded by Turkey (north), Iran (east), Kuwait and the Gulf States (south-east), Syria (north-west), Saudi Arabia, and Jordan (south and south-west).

Total land boundaries is 3650 km as follows:

Turkey:	352 km
Iran:	1,458 km
Kuwait:	240 km
Saudi Arabia:	814 km
Jordan:	181 km
Syria:	605 km

- **Total Area:**

437,072 sq km of which:

Water	4,910 km
Land	432,162 sq km

- **Natural Resources:**

Petroleum, natural gas, phosphate, sulfur.

- **Population:**

24.0 million.

The age structure is:

Up to – 14 years	41%	(male 5.0M ; female 4.9M)
15-64 years	56%	(male 6.8M ; female 6.6M)
65 years & over	3%	(male 0.34M ; female 0.39M)

- **Population Growth Rate:**

2.82%

Birth rate per 1000 34.2

Death rate per 1000 6.02

- **Literacy:**

Age fifteen (15) and over can read and write.

Total population 60%

Male 71%

Female 45%

- **Ethnic Groups:**

Arabs 80%

Kurds 15%

Turkoman, |
Assyrian, & other 5%

- **Religion:**

Muslims 97% (Shi'a Arab 65% ; Sunni Arab & Kurd 32%)

Christians & others 3%

- **GDP:**

\$60 billion (2002 estimate)

Per Capita \$2,900

- **Economy:**

Iraqi economy is dominated by the oil sector which provided about 95% of foreign exchange earnings.

Composition of GDP by sectors:

Agriculture 6%

Industry 13%

Services 81%

Main industries:

Petroleum, chemical, textiles, construction material, and food processing.

Agricultural products:

Wheat, barley, rice, vegetables, dates, cotton, cattle, sheep.

- **Transportation:**

Railways 2,339 km

Highways 45,550 km

waterways 1,015 km

Pipelines 4,350 km (crude oil);
725 km (petroleum products);
1,360 km (natural gas)

- **Membership of International & Regional Organizations:**

Iraq is a member of twenty-nine (29) international and eleven (11) regional organizations. (See *Appendix-A*)

RECONSTRUCTION OF IRAQ

Quarter a century of totalitarian regime has virtually decimated Iraq civil society and destroyed almost all independent institutions that could have paved the path for a smooth and eventless transition to a democratic form of government. Thus, reconstructing post-Saddam Iraq calls for a coherent strategy of interrelated phases for the reconstruction of almost all aspects of Iraqi life. This task is a challenge and, at the same time, a great opportunity for opening the gates for a new, prosperous and democratic Middle-East. Indeed it is a history in the making to reshape the entire region in a manner that cleans-up the anomalies inherited from the demised Ottoman Empire and what followed it. In undertaking this challenge, the West led by the United States can play the pivotal role in the reshaping process. In my opinion, the United States should not leave this historic challenge to the antiquated bureaucracy of the United Nations or to the diverse interests of members of the Security Council who, until recently, extended a life-line to Saddam Hussain. Simply stated, the ultimate goal of reconstructing Iraq should be the creation of necessary and fundamental structures for democracy and sound economic growth which will be a powerful model for others to follow.

I. THE CHALLENGES OF RECONSTRUCTION

Producing a stable, federal, pluralistic, and democratic Iraq is more challenging than eliminating Saddam's regime. Such a task requires firm commitment from the United States and the new government of Iraq to confront the following:

1. Securing Iraq's territorial integrity as a State.
(See VIII. TERRITORIAL INTEGRITY, FEDERALISM, & ETHNIC DIVERSITY)
2. Dismantling the armed forces and creating a new army for defense purposes only.
3. Ensuring law and order and eliminating the system of repression.
4. Rebuilding the economy along the line of free market.
5. Reversing the brain-drain.
6. Providing humanitarian needs.
7. Observing the release of all political prisoners.

8. Providing jobs for at least 800,000 unemployed. ⁽¹⁾
9. Rebuilding the education system by quickly opening schools and hiring and training teachers. ⁽²⁾
10. Developing a new political system that will evolve towards a western-oriented democracy and will be looked at as a powerful example for the Middle-East progress.
11. Repairing Iraq's damaged infrastructure with special attention to the oil sector and agriculture. (See *V. IRAQ'S OIL & GAS*)
12. Reviewing and restructuring Iraq's financial obligations, including the suspension of war reparations. (See *VI. IRAQ'S FINANCIAL OBLIGATIONS*)
13. De-Ba'athification of Iraq. (See *VII. DE-BA'ATHIFICATION*)
14. Reviewing all intelligence files and dismantling Saddam's intelligence (Mukhabarat) institutions.
15. Reviewing of banking laws and introducing modern banking system.

⁽¹⁾ This figure includes significant percentage of internally displaced persons and refugees. This figure could become higher with the parole of the Republican Guards and members of the security services.

⁽²⁾ According to the recent study by *CSIS*, Iraq will need 150,000 teachers, 5000 new schools, and the repairing of 70% of existing education structure.

16. Repairing, upgrading, and reconstructing of approximately 3,600 km of roads, 100 bridges, and 1500 km of irrigation and drainage canals.
17. Repairing of more than 100 hospitals and clinics.
18. Repairing and upgrading of the railway network.
19. Repairing five major airports, terminals, and runways, including Baghdad international airport.
20. Repairing all damaged government building including presidential palaces.
21. Repairing and upgrading the port of Umm-Qasr and Al-Bakr oil terminal.
22. Repairing and rehabilitating ten (10) electrical generating plants and more than 100 electrical sub-stations. Additionally, Iraq's electric power-supply should be increased by at least 6 Gigawatts by the year 2006.
23. Repairing, rehabilitating, and expanding approximately fifty (50) urban water systems.
24. Speeding up the return and compensation of Iraqi refugees and internally displaced persons.
25. Controlling the high inflation and gradually restoring the external value of the Iraqi dinar.

II. TOOLS & RESOURCES OF RECONSTRUCTION

1. **Oil:** which is the primary engine of Iraq's economy.
2. **Human Resources:** Compared to other Arab countries, Iraq has the highest per-capita educated people with B.A., B.Sc., M.A., M.Sc, and Ph.D.. It also has a very large corp of professionals in the fields of agriculture, manufacturing, oil, computer science, etc. . In other words, Iraq has all the making of a modern middle-class which is largely educated, sophisticated, and urbanized and have a long secular tradition.
3. Water and fertile land.
4. Reasonably advanced civil service structure.
5. Foreign investment opportunities.
6. International donations, grants, and soft loans.

III. COSTS OF RECONSTRUCTION

Costs of reconstructing Iraq consists of two types:

- (i) **Military Costs**
- (ii) **Non-Military Costs**

Military Costs refer to the costs of maintaining sufficient number of American (and possibly British) troops in Iraq for peacekeeping and securing the territorial integrity for a period of two-to-five (2-5) years, until Iraq is stabilized and transformed to a stable democratic country.

Non-Military Costs involve the costs of rebuilding the physical, economic, and social infrastructure of Iraq.

According to estimates made by the *U.S. Center for Strategic and Budgetary Assessment (CSBA)*; the *U.S. Congressional Budget Office (CBO)*; and the *U.S. Department of Defense*, the costs of maintaining five (5) years military presence post-liberation will range between \$25B and \$105B depending on the number of troops as shown below:

Table-3
Estimated 5-Year Military Costs

AVERAGE # OF TROOPS	ESTIMATED COSTS
20,000	\$25 Billion
40,000	\$45 Billion
90,000	\$105 Billion

As to non-military reconstruction costs, distinction must be made between financial requirement for repair and expansion of Iraq's oil sector and the requirements of other sectors. The oil sector requires \$3.0B - \$5.5B investment to achieve pre-war production capacity of 3.5M barrels per day and some \$21B to expand the capacity to 6-8M barrels per day within eight-to-ten (8-10) years. As to other sectors, the annual costs is estimated to be in the region of \$20B. This will cover: Humanitarian needs (food, medical supplies, etc.), governance activities (payroll for civil service), reconstruction and economic recovery, debt relief, settled and unsettled claims, and reparation to Kuwait. Thus, assuming the process of stabilization and recovery will extend over five years, the aggregate of military and non-military costs (including the needs of the oil sector) will be \$160B as shown below:

Table-4
Aggregate Reconstruction Costs

TYPE OF EXPENDITURE	FIVE-YEAR COSTS
40,000 Troops	\$45 Billion
Non-Military Costs	\$100 Billion
Oil Sector *	\$15 Billion
Total	\$160 Billion

* Oil sector's costs is calculated by adding the \$5.5B for repair, maintenance, and \$9.5B for production capacity expansion to 6M barrels per day by the end of 2008/2009

IV. PHASES OF RECONSTRUCTION

The success of the United States and its allies in Iraq will be judged by their commitments to rebuild the country. Both the U.S. Administration and the British Government are fully aware that their credibility is on the line, because at stake are several interrelated issues which should be carefully considered. **The issues are:**

- The interests of Iraq;
- The interests of USA & UK;
- The interests of the Middle-East region;
- The interests of the international community.

Studies prepared by various U.S. departments and think-tanks envision three stages for successful reconstruction and restoration of national authority in a democratic, federal, and stable Iraq. These phases are: **stabilization, transition, and transformation.** ⁽³⁾

³ **For more details, see:**

- CSIS; *A Wise Peace: An Action Strategy For post-Conflict Iraq*; January 2003.
- U.S. Department of State; *Post-Saddam Iraq; Testimony of Marc Grossman, Under – Secretary for Political Affairs, before the Senate Foreign Relation Committee*; February 11, 2003.
- American Academy of Arts & Sciences – Committee on International Security Studies; *War With Iraq – Costs, Consequences, and Alternatives*; (undated).
- The White House; *The National Security Strategy of the United States of America*; September 2002.
- Democratic Principles Work Group; *Final Report on the Transition to Democracy in Iraq*; November 2002.

► **Phase One: Stabilization**

This phase involves:

- An interim coalition military administration assisted by Iraqi nationals to focus on security and law-and-order, including the creation of transitional security forces.
- Elimination of pockets of resistance, and abolition of the system of repression.
- Preparation of a realistic plan for securing and eliminating weapons of mass destruction.
- Distribution of humanitarian assistance.
- Securing Iraq's borders and its territorial integrity.
- Deployment of coalition forces to major population and economic centers.
- Detention of Ba'ath Party senior leaders and supporters.

► **Phase Two: Transition**

This is the most important and intensive phase for rebuilding Iraq.

It involves:

- Gradual transfer of authority to Iraqi institutions as part of the development of a stable and democratic Iraq.
- Drafting, debating, and promulgating a permanent constitution.
- De-Ba'athification.

- Negotiation with international community to restructure Iraq's financial obligations.
- Lifting sanctions imposed pursuant to Security Council resolutions.
- Repair of damaged economic infrastructures.
- Review of oil contracts concluded during Saddam's era with France, Russia, China, and other countries with view to amend, revoke, or approve.
- Establishment of a Human Rights Commission.
- Review of all RCC resolutions affecting individuals' property rights and freedom, including the return and compensation of Iraqi refugees.
- Creation of an Iraqi-led international consortium to address issues relating to the expansion and reorganization of Iraq's oil sector.
- Negotiation and redesigning of war reparations imposed on Iraq by the Security Council.
- Preparation and implementation of nation-wide census by the Central Statistical Organization and the National Computer Center.
- Reform of the armed forces and devise a mechanism by which effective civilian control of the Iraqi military is established.
- Establishing a transitional law and justice within the context of international precedents and adherence to principles of due process of law.

This body is then entrusted with the creation of two structures:

- (i) **A Special Tribunal** to try senior members of the Ba'ath regime who have committed crimes of an international character (i.e., war crimes, crimes against humanity, crimes against peace, genocide, etc.).

- (ii) **A Truth & Reconciliation Commission** similar to the one established in South Africa to hear cases of individuals who would seek to give a truthful account of commission of acts of abuses. The main purpose of this body is to create an environment for social-healing and encourage victims of former regime to avoid collective punishment and vengeance. To achieve its goal, the Commission may grant conditional amnesty to individuals and low-ranking security officers and abusers.

It is, however, important that the transitional law and justice performs its task with the assistance of and under the supervision of international jurists.

► **Phase Three: Transformation**

This phase is the climax of the earlier two phases. It begins with the promulgation of permanent constitution and charter of rights, followed by free and fair elections under international supervision. **This phase will see Iraq:**

- Having a sovereign government representative of its diverse population;
- Free of weapons of mass destruction;
- Integrated into the international community;
- Having a federal system of governments; and
- Having a modern and viable economy based on free market principles.

V. IRAQ'S OIL & GAS

► Background

According to U.S. Geological Survey (USGS), Iraq holds the world's second largest oil reserve base after Saudi Arabia. It is estimated that Iraq's **proven** reserve is between 112-129B barrels. Furthermore, according to petroleum experts, Iraq holds additional **probable** reserves of 220B barrels.⁽⁴⁾ Thus, it is predicted that liberated Iraq could become a super-giant oil producer and exporter of oil. What makes Iraq's oil attractive is its low costs of production which is the lowest in the world. Average investment cost (including drilling) is about \$1 per cumulative barrel, and average operating cost is estimated at about \$1.5 per cumulative barrel.⁽⁵⁾

Iraq also contains 110 trillion cubic feet of proven natural gas reserves and about 150 trillion cubic feet in probable reserves. Approximately 70% of the natural gas reserves is associated with the production of oil, 20% non-associated and 10% dome gas.

Prior to its war with Iran, Iraq's production capacity was in the region of 3.5M barrels per day. This capacity became irregular and quite limited due to damage to oil installations and the imposition of U.N. Sanctions. It is expected that with lifting of the sanctions and sufficient investment and repair to existing production and transport facilities Iraq's share

⁴ The additional 220B barrels is based on a recent study by Center For Global Energy Studies (CGES). See: Dr. F. Chalabi; A New World Oil Market Structure: Developments In Iraq, Venezuela and US Oil Policies; MEES, Vol. XLVI, No.12; March 24, 2003.

⁵ **Investment Cost** (capital) is total cost needed for drilling, production installation, transportation, and loading the oil in tankers. **Operating Costs** is the running cost of an operation to make the oil available for shipment (e.g., maintenance, consumables, general and administrative).

of world supplies could rise from its existing 2% to 4% in 2005. This share could further rise to approximately 7% over 8-10 years with production capacity of 6-8M barrels per day. According to Arab Petroleum Investment Corporation (APICORP)⁽⁶⁾, the financial requirements for repair, maintenance, and expansion of Iraq's oil sector is in the region of \$5.5B from the day U.N. Sanctions are lifted. Other oil experts with long experience in running Iraq's oil sector anticipate that Iraq could reach its pre-August 1990 level of 3.5M barrels per day after two years of hard and unrestricted efforts with \$3.0B expenditure on repairs and maintenance.⁽⁷⁾ To achieve a capacity of 6-8M barrels per day within 8-10 years, an amount of at least \$21B is needed. To reach this target, Saddam's government have awarded long-term contracts to various foreign oil companies, with Iraq holding only 10% of the equity. Total value of these contracts is \$38B. It is possible that these contracts may contain unfavorable terms to Iraq. It is, therefore, advisable for the new Iraqi regime to renegotiate these deals. The following table lists the foreign companies and their home countries.

⁶ APICORP is an offshoot of the Organization of Arab Petroleum Exporting Countries.

⁷ See: Issam Al-Chalabi: Oil & Gas Journal; March 24, 2003; p.48 .

Table-5
Foreign Companies & Their Home Countries (*)

COMPANY	HOME COUNTRY	COMPANY	HOME COUNTRY
Sonatrach	Algeria	Crescent	Pakistan
BHP	Australia	Bashneft	Russia
Pacific	Britain	LUKoil	Russia
Shell	Britain / The Netherlands	Mashinoimport	Russia
Bow	Canada	Stroyexport	Russia
Nexen	Canada	Tatneft	Russia
CNPC	China	Zarubezhneft	Russia
TotalFinaElf	France	Korean Consortium	South Korea
ONGC	India	Repsol	Spain
Reliance	India	SPC	Syria
Pertamina	Indonesia	ETAP	Tunisia
Eni	Italy	TPAQ	Turkey
Japex	Japan	PetroVietnam	Vietnam
Petronas	Malaysia		

► **Reorganization Of The Oil Sector**

Oil revenues constitute approximately 97% of Iraq's foreign exchange earnings. From its independence until today's date, Iraq succeeded in creating a large and well-trained oil professionals, engineers, and highly qualified technocrats. In Iraq, oil is politics. Politics is the nationalistic approach to governance. Government-control over its oil industry is closely associated with economic independence. Simply stated, the popularity and independence of any government in Iraq is measured by the degree of its control over the oil sector. Thus, any re-organization of this vital sector through privatization should take into account the political culture of national independence associated with oil.

(*) *Sources:* The Royal Institute of International Affairs; Briefing Paper No.5, December 2002; The Future of Oil in Iraq: Scenarios and Implications.

However, due to the extensive damage inflicted to Iraq's oil infrastructure and the lack of access to state-of-the-art oil industry technology and Iraq's need of massive investment to revitalize its oil sector, the new government is bound to look into the international oil industry for reorganizing the oil sector in a realistic manner. As I see it, the new government must accept partial privatization of Iraq's oil industry. This could be achieved through 25% - 40% privatization by creating a new independent oil corporation with 75% - 60% of its shares owned by Iraq National Oil Company (INOC). The remaining 25% - 40% of the shares is sold in the international stock market. The new entity is then jointly managed by INOC and international oil companies.⁽⁸⁾

► Expected Oil Revenues

According to the London-based Centre For Global Energy Studies (CGES) and other oil analysts, Iraq's total revenues from crude oil exports will be \$728.8B during the period 2003-2020. (See: **Table-6**) **The estimates are based on the following assumptions:**

- (i) Production will gradually rise from 2.8M barrels per day in 2003 to 6.0M barrels per day in 2010 and remains constant thereafter.
- (ii) Oil prices will range between \$20.0 - \$32.1 per barrel.
- (iii) Constant costs of production at \$1.0 per barrel.

⁸

Sources: MEES; Vol. XLVI, No.12, March 24, 2003.
Guiding Principles for U.S. Post-Conflict Policy in Iraq; Report of an Independent Working Group by Council of Foreign Relations and The James A. Baker III Institute for Public Policy of Rice University; 2002.

Table-6
Iraq's Oil Exports & Revenues, 2003 - 2020 (*)

YEAR	OIL EXPORT (millions barrels / day)	OIL PRICE (per-barrel)	ANNUAL REVENUES (\$ billions)
2003	2.27	20.0	15.7
2004	2.45	21.0	17.9
2005	2.92	21.0	21.8
2006	3.40	22.0	26.1
2007	3.87	23.0	31.1
2008	4.35	23.0	34.9
2009	4.82	23.5	39.6
2010	5.30	23.6	43.7
2011	5.27	23.9	44.0
2012	5.24	24.2	44.4
2013	5.21	25.0	45.6
2014	5.18	25.4	46.1
2015	5.14	27.0	48.8
2016	5.12	28.5	51.4
2017	5.09	29.3	52.6
2018	5.06	30.0	53.6
2019	5.04	30.7	54.6
2020	5.01	32.1	56.9

(*) Sources: Dr. M. A. Zaini; The Iraqi Economy: Past, Present & Future Alternatives; Second Edition; 2003; p.358. (In Arabic)

VI. IRAQ'S FINANCIAL OBLIGATIONS

Saddam's adventures, wars, and economic mismanagement since 1980 left Iraq with huge financial obligations. Estimates of these obligations vary considerably depending on who makes the estimates and what definition of "financial obligation" is adopted.

However, as of March 2003 net financial obligations were estimated to be \$271.3B, representing four major sources of obligations as summarized in **Table-7** below:

Table-7
Iraq's Financial Obligations As Of March 2003

AMOUNT (\$ billions)	%	DETAILS
127.0	47	Debts ^(*1)
57.2	21	Pending Contracts ^(*2)
27.1	10	Gulf War Compensation ^(*3)
60.0	22	Remaining Unsettled Claims ^(*4)
271.3	100	TOTAL

Explanatory Notes:

- ^(*1) This figure includes \$30B in assistance given to Iraq by several Gulf States during Iraq-Iran war. Iraq claims this amount to have been grants, while Gulf States view them as loans which must be paid back..
- ^(*2) Russia accounts for 90% of pending contracts with Iraq. The remaining 10% is accounted for pending contracts with France, China, Egypt, and the Netherlands.
- ^(*3) Gulf War compensation claims are the result of Iraq's invasion of Kuwait in August 1990. These claims are dealt with by the United Nations Compensation Commission (UNCC) pursuant to U.N. Security Council Resolution No. 692. Total claims **submitted** to the UNCC amount to \$350B. **Resolved** claims amount to \$150.2B out of which \$43.8B has been awarded. Out of the awarded claims, only \$16.7 has been paid out.
- ^(*4) This figure is calculated as 30% of unresolved 50,000 claims amounting to approximately \$197.4B. The main claimants in the "unsettled" claims are: Kuwait 40%, Jordan 8%, Saudi Arabia 7%, United Kingdom 4%, and India 4%.

Compensation claims are funded by a 25% cut from Iraq's oil revenues.

Table-8
Iraq's Major Creditors (*)

COUNTRY	AMOUNT (\$ millions)
Gulf States	30,000
Kuwait	17,000
Egypt & Others (**)	18,356
Russia	12,000
Bulgaria	1,000
Turkey	800
Poland	500
Jordan	295
Morocco	32
Hungary	17
Sub-total	80,000
Interest	47,000
TOTAL	127,000

(*) *Sources:* MEES; Vol. XLVI, No.10, March 10, 2003.
CSIS: A Wise Peace; An Action Strategy For A post-Conflict Iraq; Supplement I; January 23, 2003.

(**) Includes: Canada, Germany, Italy, Netherlands, Syria, United Kingdom, and United States.

► How To Resolve Iraq's Financial Obligations

Resolving Iraq's financial obligations requires intertwined short, medium, and long-term measures. A final remedy to these burdens can only be achieved through sound economic and social programs which take into account various factors to **restore** economic stability, to **sustain** economic stability, and to **move** towards economic growth. These in-depth economic analysis are not the subject of this paper. Nevertheless, I may highlight few steps that could be taken by the new government of Iraq:

1. Immediate suspension and then complete lifting of the U.N. economic sanctions.
2. Suspension of Iraq's international debt, followed by negotiations for debt rescheduling, debt restructuring, and/or debt forgiveness. The debt is mostly bilateral owed either to governments per se, or guaranteed by governments which could easily be restructured through direct negotiations. Paris Club and I.M.F. could assist in this process.
3. U.N. Security Council's speedy approval of pending contracts.
4. Immediate release of Iraq's frozen assets abroad for use of urgently needed imports. These assets are estimated to be approximately \$4.0B.

5. Suspension of war reparations imposed on Iraq pursuant to U.N. Security Council Resolution No. 687. The suspension should not be difficult, as the said resolution stipulates that payment of reparation should take into consideration the needs of the Iraqi economy. Thus, until those needs are satisfied, no war reparations should be paid.
6. Allowing Iraq to reach its maximum oil export capacity. This could be achieved through cooperation with members of OPEC in order to minimize any adverse impact on oil price level.
7. Extending financial assistance by the international community in the form of donations, grants, and loans on concessional terms.
8. As to Kuwait's claims (estimated to be \$27.0B), it is proposed that payment of the claims be delayed until Iraq's financial burden is eased. After a reasonable period of delay, the compensation will be paid out to an investment portfolio under the control of Kuwait Investment Authority (KIA). The portfolio is then invested in rebuilding Iraq's infrastructure, agriculture, manufacturing, and oil sectors. Kuwaiti government, if so desires, would then liquidate its investments by selling its assets to the private sector. My understanding Kuwait is agreeable to this proposal which it intends to put forward in a letter to the U.N. Security Council for approval by the U.N. and the new Iraqi government. ⁽⁹⁾

⁹ MEES; Vol. XLVI, No. 10; March 10, 2003.

VII. DE-BA'ATHIFICATION OF IRAQ

The Ba'ath Party staged a coup and came to power in July 1968. Since then, the Party (under direct supervision of Saddam Hussain) embarked on a policy of gradual but consistent control over all government institutions and all segments of Iraqi society including the armed forces. This control reached its climax in October 1974 when the Revolutionary Command Council (RCC) promulgated Law No.142 pursuant to which the Ba'ath Party's political ideology was made the official guiding principles of all government functions, including the army, police, civil service, education institutions, and foreign policy. The new regime, therefore, is faced with the task of dismantling the structure of control exercised by the Ba'ath Party over the past three decades. It is estimated that there are some two million Ba'ath Party members who joined the party either out of fear or to secure employment. From my own observation and experience, I can safely say that at least 95% of the members are innocent individuals who have nothing to do with the atrocities committed by Saddam's inner-circle. De-Ba'athification, therefore, should not be interpreted as collective punishment of all party members. In my opinion, de-Ba'athification is a process which needs a coherent program for the implementation of the following:

- Dissolution of the Party's cells, the Special Republican Guards, and Special Security.
- Dissolution of some institutions and reorganization of others.

- Review and reform of school and college curricula.
- Reform of all laws relating to the press and media.
- Reform of the armed forces and revocation of all RCC Decrees imposing the death penalty against members of the armed forces who are not members of the Ba'ath Party.
- Reform of law-enforcement and security apparatuses.
- Abolition of all special courts such as the Revolutionary Court and the Special Military Court.
- Revocation of RCC Resolution No. 865 of August 2, 1974, which imposes the death penalty on individuals who joined the Ba'ath Party without revealing their past association to other political organizations.
- Revocation of RCC Resolution No.1244 of November 20, 1976, which imposes the death penalty on individuals who leave the Ba'ath Party to join or to support another party.

- Revocation of RCC Resolution No.1357 of November 10, 1971, which imposes the death penalty on members of the armed forces who participate in any political activity other than or contrary to the ideology of the Ba'ath Party.
- Revocation of RCC Resolution No.784 of June 7, 1978, which imposes the death penalty on any individual who contemplates to persuade a member of the Ba'ath Party to work for or to join any other political party.
- Revocation of RCC Resolution No.884 of July 3, 1978, which imposes the death penalty on retired members of the armed forces and police who join or work for any political party other than the Ba'ath Party.

VIII. TERRITORIAL INTEGRITY, FEDERALISM, & ETHNIC DIVERSITY

As can be seen from Table-2 above, 80% of Iraq's population are Arabs, 15% Kurds, and 5% Turkoman, Assyrian, and other ethnic groups. Within Muslim Arabs, Shiite constitute 65% and Sunnis 17%. The latter minority ruled Iraq with an iron-fist since the country's independence. In fact, none of the successive regimes in Iraq were secular. Secularism were used as veil for Sunni Muslim dominance. With the liberation of Iraq, the balance will change. Many people, however, ask, "Will Iraq break apart? Will the ethnic and religion diversity create an unstable Iraq?" The answer is no for the following reasons:

1. Iraq has proved remarkably durable despite decades of unrest, uprisings, upheavals, and five military coups. Saddam Hussain was not the man who unified Iraq. On the contrary, the unified Iraq existed decades before Saddam's regime. What Saddam has done was to create a powerful tyranny dominating and weakening the society and making it dependant on the State. Sadly, society's dependence in its daily livelihood on Saddam's police-state was augmented by the United Nations' sanctions. In other words, the end-result of the sanctions increased the State's power on the population through the monthly rations.
2. Despite Saddam's persistent policy of discrimination against the majority Shia and the Kurds, Iraq has not witnessed social discrimination **within the**

community. The discrimination against the Shia (and the Kurds) is entirely the work of the State. In other words, the discrimination is **official** rather than **communal**. Within Iraqi community per se there is no sectarian discrimination between Muslim Shias and Muslim Sunnis or Arab and Kurds. Simply stated, it is the **official** sectarian policy and not the **communal** sectarian discrimination. In rebuilding new Iraq, it is important to distinguish between **sectarian-differences** and **sectarian-discrimination**. It is a fact of life that sectarian-differences exist in every faith. These are the differences in the practices of every faith. They do not constitute a social, intellectual, or political issue in the Iraqi context. The real problem arises when the State transforms sectarian-differences into sectarian-discrimination to promote the State's discriminatory policies. This was the policies of successive rulers of Iraq which the new government should abolish.

3. The transformation of Iraq into a federal-system will preserve the territorial integrity of the country and enhance the power-sharing amongst all ethnic and religious groups. As Carol O'Leary said: ⁽¹⁰⁾

“Federalism as an organizing structure can promote stability, especially in multi-ethnic or multi-religious states, through the establishment of political units whose relationship to the center is clearly defined in a governing document that includes principles concerning structures and rules for governance and appropriation of federal funds. As in the United States, federalism in Iraq could provide a system of checks and balances to moderate the power of any future central government, inhibiting the ability of an autocratic leadership — secularist or Islamist — to seize control of the center. And, as in Switzerland, federalism can guarantee the political and cultural rights of Iraq's ethno-linguistic and religious communities.”

¹⁰ Carol O'Leary, “The Kurds of Iraq: Recent History, Future Prospects,” *Middle East Review of International Affairs (MERIA) Journal*, Vol. 6, No. 4 (December 2002) Page 5.

IX. CONCLUDING REMARKS

▶ Middle-East Oil Region, Islam, & Fundamentalism

It is relevant to know that Islam is divided to six schools of thoughts: The **Shiites**, the **Hanbali**, the **Hanafi**, the **Maliki**, the **Shafié**, and the **Wahabbi**. Except the Shiite sect and to a lesser extent the Shafié, all other sects of Islam can be described as orthodox yearning to apply the strict Sharia Laws. The Shiites, on the other hand, are Western-oriented, business-minded, and more open to realities other Muslim countries (who are Sunnis) declined to do so. Indeed the Shiite sect is the only Islamic sect which provides equal rights to women. A Shiite woman has the right to vote, the right to inheritance, and the right to financial independence. Hence, it is wrong to equate fundamentalism with Shiites. It is equally wrong to confront the Shiite of the region on the ground that Shiite constitute a threat to Western interests. In my view, the American administration and other Western countries should talk to those people and attend to their plight for the following reasons:

1. Middle-East oil-exporting countries embraces Iran, Iraq, Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, and Qatar. Total population of these countries is some 120 million. The Shiite constitute some 80 million, as shown below:

COUNTRY	TOTAL POPULATION (million)	SHIITES (million)	% OF SHIITES TO TOTAL POPULATION
Iran	66.6	59.3	89%
Iraq	24.0	15.6	65%
Saudi Arabia	23.5	3.5	15%
Kuwait	2.0	0.8	40%
U.A.E.	2.4	0.4	16%
Bahrain	0.7	0.5	70%
Qatar	0.8	n/a	--
TOTAL	120.00	80.0	67%
Sources: C.I.A. — The World Factbook - 2002			

2. Fundamentalist Islamic movements were never created within Shiite population. Those movements only exist in Egypt, Jordan, Syria, Saudi Arabia, Sudan, Pakistan, and other non-Shiite Islamic countries.

3. In Iraq, Sunni Arabs constitute only 17% of the population. The overwhelming majority is 75% of Shiites and Kurds; Shiites constitute 65% of the total population, Kurds 15% - 20%. Yet Iraq was ruled by the Sunni minority. From Iraq's independence until July 1958 (the Monarchy reign), there were 59 cabinets. During this 38 year period, the Shiites held the post of Prime Minister only 5 times, for a period of 23 months, out of 456 months. From 1958 until March 2003 (46 years), only one Shiite became Prime Minister of Iraq, for a period of 10 months only out of 552 months.

4. Iraq's oil fields are in the North (Kurds) and South (Shiites).
5. Saudi Arabia's oil fields are in the Eastern part where the entire population are Shiites.

► **The Days Ahead**

Since President Bush promised to remove Saddam Hussain and his ruthless regime, the people of Iraq waited eagerly for the moment of liberation despite the failed attempt of certain members of the Security Council to obstruct the removal of a regime which was criminal beyond measures, amoral beyond human recognition, having no mandate to rule and was (by any standard) unfit to do so. Now Iraq is liberated, the process of transforming Iraq to a stable post-conflict, democratic, and pluralistic country may well prove more challenging than eliminating the Ba'athist regime. Such a process will require a long-term and large-scale commitment from the U.S.. The United States must remain playing a pivotal role in the administration of Iraq for a period, in my opinion, of at least five years. This is important, because the United States is the only power that has influence with Iraq's neighbors to ensure Iraq's territorial integrity and to observe and guarantee its transformation to a democratic federal state.

I am reasonably confident that a truly democratic Iraq will have its impact in reshaping the course of regional and international relations for decades to come.

APPENDICES

Appendix – A

Iraq's membership of regional and international groups and organizations:

Regional

ABEDA	Arab Bank for Economic Development in Africa
ACC	Arab Cooperation Council
AFESD	Arab Fund for Economic & Social Development
AL	Arab League
AMF	Arab Monetary Fund
CAEU	Council of Arab Economic Unity
CCC	Customs Cooperation Council
NAM	Non-Aligned Movement
OAPEC	Organization of Arab Petroleum Exporting Countries
OPEC	Organization of Petroleum Exporting Countries
OIC	Organization of the Islamic Conference

International

ESCWA	Economic & Social Commission for West Asia
FAO	Food & Agriculture Organization
G-19	Group of 19
G-77	Group of 77 at the United Nations
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction & Development
ICAO	International Civil Aviation Organization
ICRM	International Red Cross & Red Crescent Movement
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
INMARSAT	International Maritime Satellite Organization
INTELSAT	International Telecommunications Satellite Organization
INTERPOL	International Criminal Police Organization
IOC	International Oceanographic Commission
ITU	International Telecommunications Union
PCA	Permanent Court of Arbitration
UN	United Nations
UNCTAD	United Nations Conference on Trade & Development
UNESCO	United Nations Educational, Scientific, & Cultural Organization
UNIDO	United Nations Industrial Development Organization
UPU	Universal Postal Union
WFTU	World Federation of Trade Unions
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Appendix – B

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