

# THE FUTURE OF IRAQ

**Edited by  
John Calabrese**

*Foreword by Andrew Parasiliti*



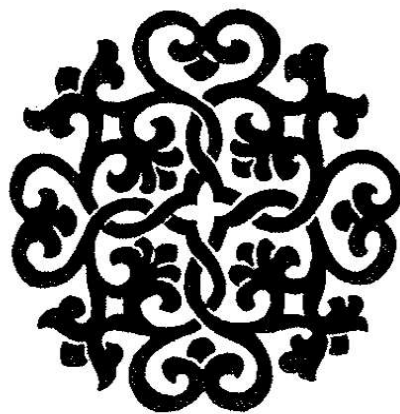
THE MIDDLE EAST INSTITUTE  
WASHINGTON, DC



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THE MIDDLE EAST INSTITUTE  
1761 N Street, NW  
Washington, DC 20036  
United States of America  
telephone: 202-785-1141  
fax: 202-331-8861  
[www.mideasti.org/mei](http://www.mideasti.org/mei)  
[mideasti@mideasti.org](mailto:mideasti@mideasti.org)



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*Roscoe S. Suddarth*

President

The Middle East Institute





# Foreword

Andrew T. Parasiliti

**A**mong the most important issues facing the Middle East, and US policy there, is the future of Iraq. Since the end of the Gulf War, the United States has sought to contain Iraq's military capabilities and regional ambitions in three ways: first, by a United Nations sanctions regime, which has limited Iraq's ability to sell its oil, except for food and humanitarian supplies; second, through the work of the United Nations Special Commission to eliminate and monitor Iraq's non-conventional weapons programs; and third, by US-enforced "no-fly" zones in northern and southern Iraq. Until 1996 and possibly beyond, the United States also sought to de-stabilize and, if possible, topple, Saddam Husayn's government through Central Intelligence Agency (CIA) support for Iraqi opposition groups such as the Iraqi National Congress (INC) and the National Accord. For the most part, these policies combined to limit Iraq's ability to threaten its neighbors, and, therefore, were viewed as successful by their proponents.

Events in 1996 appeared to challenge US policy towards Iraq on a number of levels. In June, Iraqi government agents infiltrated the US-backed National Accord and exposed a plot from within Iraq's military to unseat Saddam Husayn. In August 1996, Kurdish Democratic Party (KDP) leader Massoud Barzani invited Saddam Husayn's forces to assist the KDP in its battles with the rival Patriotic Union of Kurdistan (PUK). The re-introduction of Iraqi military forces into formerly opposition-controlled northern Iraq dealt a serious blow to US policy. The INC, whose political influence had declined since the outbreak of fighting between the PUK and the KDP in 1994, suffered a major setback. The organization lost its base in northern Iraq, 100 or so of its members were killed, and many others had to flee the region. These developments led CIA director John Deutch to tell the Senate Intelligence Committee on September 19, 1996, that

We have to see that he [Saddam Husayn] has survived for six years.... [T]here is exactly that sense that he's going to be there for a while and no political opposition in his own country has been permitted to emerge. Our other efforts

have not been successful, so, yes, the answer is I think we do think he's going to survive.

Cracks also appeared in the regional and international coalition against Iraq. On the regional level, Arab governments expressed concern that a weak Iraq was itself a potential cause of regional instability. Which other country would, or could, balance Iran, for example? The plight of Iraq's population under sanctions provoked widespread criticism of the policy throughout the Arab world on humanitarian grounds. At the international level, Russia, France and China—members of the UN Security Council—showed interest in developing commercial relations with Iraq, for example, by signing oil production-sharing agreements with Saddam Husayn's government. Although these contracts would begin only after sanctions were lifted, they provided an incentive to support an end to the sanctions regime. Both France and Russia had fairly extensive economic, military and political relations with Iraq prior to 1990. The developments of 1996 showed that while the coalition remained united on containing Iraq and limiting its weapons capabilities, there was less unity on whether or not the removal of Saddam Husayn should be a condition for the lifting of sanctions—an implicit, and increasingly explicit, condition of US policy.

In December 1996, Iraq accepted UN Security Council Resolution (SCR) 986, sponsored by the United States, which allowed it to sell \$2 billion worth of oil for food and medicine every six months. While the United Nations strictly controlled Iraq's revenues and expenditures under the agreement, the UN resolution, in addition to the events described above, gave the impression to some that Iraq, and Saddam Husayn, might be back in business.

Despite its strategic importance, including its rich oil reserves and resources, Iraq has generally been relegated to the back burner of Washington think tank and seminar topics. Little new information or creative analysis about the topic has been forthcoming. One reason is the long-standing difficulty of obtaining reliable "inside" information and analysis about Saddam Husayn's Iraq. Iraqis who travel into and out of the country understandably shy away from public seminars. Many independent Iraqis and Iraqi-Americans also felt alienated by the course of US-Iraq relations, especially the sanctions policy. Therefore, the Iraqi participants at Washington policy forums about Iraq generally tended to be individuals affiliated with the established opposition groups such as the INC, PUK, and KDP.

Beginning in February 1997, the Middle East Institute (MEI) began a series of public and private seminars and conferences in order to stimulate discussion about the future of Iraq. In addition to respected US and international specialists on Iraq, these programs included analysts of Iraqi origin whose views had not often been heard in Washington policy forums. Our programs have also involved prominent members of the Clinton Administration. In March 1997, MEI and Georgetown University co-sponsored a conference on "Iraq: Challenges for the Second Clinton Administration," which featured US Secretary of State Madeleine Albright's first major policy address on Iraq, and is included in this volume (see appendix). Also appearing in this volume is the keynote address for MEI's May 27-28 conference on "The Future of Iraq," delivered

by Bruce Riedel, special assistant to the president and director for Near East and South Asian Affairs of the US National Security Council.

This publication is the product of the May 27-28 conference. While the Middle East Institute does not take an institutional position on US policy towards the Middle East, we hope that the important papers published in this volume will contribute to a more informed and creative analytical dialogue about the future of Iraq.



# Introduction

John Calabrese

The chapters in this volume explore the “Future of Iraq.” As all of the authors acknowledge, explicitly or implicitly, trying to determine what lies ahead for Iraq is unusually difficult. Besides the normal risks entailed in making predictions, charting Iraq’s future is clouded by uncertainty as to how long sanctions will remain in place and how long Saddam Husayn will remain in power. Nevertheless, these authors also acknowledge that Iraq’s experiences during the 1970s and 1980s have had long term consequences for the country. Furthermore, the authors point out, Saddam and sanctions have already left a lasting imprint on Iraq, regardless of how much longer either one survives.

In the first two chapters, Adeed Dawisha and Isam Al-Khafaji examine Iraqi politics and evaluate the prospects for civil society. Dawisha reveals how Saddam Husayn’s changing concepts and methods of rule have restructured Iraqi politics. He focuses on Saddam’s survival strategy, which has produced new political linkages. Dawisha argues that Saddam’s system of rule has accentuated sub-national differences, thereby undermining Iraqi national identity and dimming the prospects for vibrant and peaceful political participation by various segments of Iraq’s population.

Al-Khafaji states explicitly that the formation of Iraqi civil society under successive republican regimes was incomplete. He points out that Ba‘athist rulers were more successful dismantling, subordinating or suppressing traditional autonomous associations than in helping to construct new ones. He argues that, under Saddam, the progressive atomization of Iraqi society has continued. Al-Khafaji asserts that Iraqis are linked individually to the regime, and that the divisions within Iraq’s fragmented society cut across ethnic and sectarian lines. In the absence of collective organizations and societal consensus, Al-Khafaji regards the prospects for democracy in Iraq in the short term to be grim.

The next three chapters deal with the future of Iraq’s economy. Sarah Graham-Brown concentrates on the costs that war and sanctions have imposed on Iraqi society and development prospects. She maintains that the authoritarian nature of successive

Iraqi regimes, and the social and economic structures that they had erected prior to 1980, rendered Iraq vulnerable. Graham-Brown documents how war and sanctions have adversely affected the various segments of Iraq's population in different ways. She also observes signs of change in Iraqi attitudes towards, for example, education. Graham-Brown maintains that the lack of access to basic services, coupled with the devaluation of the importance of education, may have a long term adverse impact on Iraq's economic development.

Recognizing the centrality of the energy sector in Iraq's economy, Issam A. R. Al-Chalabi discusses the prospects for the recovery and expansion of the petroleum industry. He considers the revival of Iraq's oil industry as indispensable to its economic recovery and prosperity, but regards this as a daunting task. Nevertheless, Al-Chalabi cites evidence of Iraq's huge energy potential, and documents the regime's recent successful negotiation with foreign companies of preliminary contracts to restore and expand oil production capacity.

Sinan Al-Shabibi's analysis is concerned less with the prospects for recovery of Iraq's energy sector *per se*, than with the prospects for the growth of the Iraqi economy as a whole. While recognizing the importance of the petroleum industry, Al-Shabibi focuses on the availability of financial resources to propel this growth. Al-Shabibi constructs several scenarios to test the hypothesis that relief—partial or total—from debt service, compensation and reparations obligations is necessary to ensure that Iraq achieves at least a modest level of growth.

The third set of chapters examines Iraq's foreign relations at the regional and international levels. The chapter by Giandomenico Picco explores Iraq's future in terms of the ongoing struggle between Iraqi authorities and members of the international community. From Picco's perspective, Iraq is waging a battle on many fronts—military, economic and political—with a diverse group of countries. Picco argues that, although sanctions have severely constrained Iraq, they have not permanently jeopardized the country's future. According to Picco, once sanctions are lifted, opportunities for Iraq's physical and political recovery will surface because of the assets the country possesses and the competing interests of neighboring countries and others.

The chapter by Ahmad Hashim concentrates on Iraq's relations with its Middle Eastern neighbors. Hashim traces Iraq's rise to, and fall from, the status of a regional superpower. On the one hand, Hashim demonstrates that despite its current problems, Iraq will remain a key player in the Middle East strategic balance of power. On the other hand, he shows that the external pressures upon, and the unresolved differences between, Iraq and its neighbors will limit the extent of improvements in their relations.

Paul Wolfowitz examines US policy towards Iraq since the August 1990 invasion of Kuwait. In reviewing Bush and Clinton administration policies towards Iraq, Wolfowitz contends that the United States has been reluctant to identify Saddam Husayn as the key problem in US-Iraq relations. He shows how this reluctance, coupled with a number of missed opportunities to precipitate or prevent events that might have led to Saddam's fall from power, have narrowed US options in dealing with Iraq. Wolfowitz suggests alternatives to the current US policy towards Iraq, though he regards the shift from a strictly sanctions-based approach to be unlikely.

Like Wolfowitz, Abbas Mehdi is critical of US policy towards Iraq. Mehdi maintains that, in the long term, a sanctions-based policy towards Iraq is injurious to US and Iraqi interests. Mehdi urges US policy makers to devise a strategy towards Iraq that distinguishes more clearly between the misdeeds of the regime and the needs of the population. Among other things, Mehdi suggests that US policy makers establish broader channels of communication with opponents of the regime both inside and outside Iraq.

As the chapters in this volume indicate, it is possible to explore Iraq's future from various perspectives—political, economic and social—and at the domestic, regional and global levels. No one of these approaches does, nor can, convey the full range of opportunities and constraints that Iraq is likely to face in the coming decades. Collectively, however, these chapters are illuminating in terms of what they suggest about the future of the Iraqi polity and economy, and about the future of the Iraqi state among its neighbors and within the international community.

# Iraqi Politics: The Past and Present as Context for the Future

Adeed Dawisha

In 1990, President Vaclav Havel of Czechoslovakia visited Washington to address a joint session of the US Congress, an honor accorded to an exclusive group of national heroes and great statesmen. Only six months earlier, Havel had been a political prisoner, uncertain of his own survival. This sudden reversal of fortune was not lost on a man accustomed to writing about human ironies. “As a playwright,” Havel said, “I’m used to the fantastic. I dream up all sorts of implausible things and put them in my plays. So this jolting experience of going from prison to standing before you today, I can adjust to this. But pity the poor political scientists who are trying to deal with what is probable.”<sup>1</sup>

Making predictions about politics is a perilous endeavor. It is difficult enough to assess the political future of mature democracies that have stable institutions, resilient cultures, and established processes and procedures. Predicting the future of personalized authoritarian systems like Iraq, which possess none of these attributes, is an even more hazardous enterprise. Yet, in an attempt to shed light on the political path that Iraq may follow, this study will examine the past and present patterns of Iraqi political behavior. To do so, this analysis will focus on the characteristics of Iraq’s societal structure, the elements of the country’s political system (particularly since the July 1968 ascendancy of the Ba’athists), and the impact of the policies of Saddam Husayn upon Iraq’s society and politics since the latter years of the Iraq-Iran War.

## **A Brittle Political Culture**

Iraq was created in 1921 as part of the reorganization of British interests in the Middle East. Winston Churchill and his advisors assembled the new state from three provinces of the defunct Ottoman empire—Baghdad, Basrah and Mosul. Bereft of any national, ethnic or religious rationale, Iraq lacked the essential underpinning of nationhood. The south was overwhelmingly Shi‘i and the central part Sunni, while the north



contained substantial non-Arab (i.e., primarily Kurdish, and to a lesser extent Turkoman) populations. Added to this mix were smaller, but influential, populations of Christians and Jews who were mainly city dwellers, except for the Christian Assyrians who lived in villages to the north of Mosul.

Compounding these complex ethnic and sectarian divisions was the vast cultural and political divide between city and tribe. Indeed, over the years, “tribalism” has posed major problems for the central authorities of the state. As late as 1965, 50 percent of the population lived in the countryside, most belonging to tribes and professing tribal values. An authoritative compilation of the time lists numerous Arab tribes inhabiting central and southern Iraq.<sup>2</sup> By 1989, the number of people living in rural areas had dwindled to 27 percent of the country’s population. Nevertheless, tribal values and attitudes seem to have persisted, though the self-proclaimed modernizing and vehemently anti-tribal Ba‘ath Party claimed otherwise.<sup>3</sup>

Successive Iraqi governments have struggled to imbue this population of disparate groups with a feeling of shared identity. According to some, however, they have not succeeded. Twelve years after becoming Iraq’s first monarch, King Faisal lamented:

There is still—and I say this with a heart full of sorrow—no Iraqi people but unimaginable masses of human beings, devoid of any patriotic idea, imbued with religious traditions and absurdities, connected by no common tie, giving ear to evil, prone to anarchy, and perpetually ready to rise against any government whatever. Out of these masses we want to fashion a people which we would train, educate and refine.... The circumstances, being what they are, the immenseness of the efforts needed for this [can only be imagined].<sup>4</sup>

During the next half century, various Iraqi governments tried to overcome Faisal’s concerns through the adoption of policies meant to break the Iraqi population’s tribal, sectarian and ethnic loyalties. Socio-economic policies led to the gradual urbanization of society, while national education emphasized the oneness of Iraq and its secular character. Over the years, Iraq’s government pampered and expanded the army, portraying it as the quintessential “national” institution. In addition, the government propounded an ideology that trespassed upon, and consistently demeaned, “regional” and “particularistic” impulses. Nevertheless, as late as 1982, a leading member of Iraq’s Ba‘athist ruling elite complained that “secessionism, sectarianism and tribalism...are tearing the unity of society to pieces.”<sup>5</sup>

Of all of these persistent fissures, those of Arab against Kurd and Sunni versus Shi‘is are perhaps the most consequential. The Sunni-Shi‘ite divide in Iraq is essentially an inter-Arab conflict. Since the Ottoman period, Shi‘is—a Muslim minority sect who nonetheless are in the majority in Iraq and Iran—have felt politically and economically marginalized. This has contributed to the strong affinity that exists between Iraqi Shi‘is and their Iranian co-sectarians. Strengthening this bond is the fact that Shi‘ism’s two holiest cities and pilgrimage sites, Najaf and Kerbala, are located in Iraq.

Yet, the ethnic and linguistic divisions between Arab Iraqis and Persian Iranians are more powerful than the sectarian ties between Iraqi and Iranian Shi‘is. To be sure,

Iraqi Shi'is have harbored political grievances, successive Iraqi governments have viewed Shi'is with mistrust, and periodic outbreaks of political violence involving Shi'is have occurred. However, dissatisfaction with their status in the country has not caused Iraqi Shi'is to forge political links with Iran or to seek their own separate state.

Unlike the Sunni-Shi'ite divide in Iraq, the struggle between Arab and Kurd is an endemic, seemingly intractable conflict. Constituting about 20 percent of Iraq's population, the Kurds have proved to be the state's least assimilable minority. In contrast with Iraqi Shi'is, the Kurds are not ethnic Arabs. The Kurds' ethnic distinctiveness has contributed to their strong sense of national identity and their enduring commitment to a state of their own. As a result, Iraq's contemporary history is replete with Kurdish revolts against a central government generally unwilling to reach a peaceful accommodation.

Unfortunately, the brittleness of Iraq's political culture and the nebulosity of the country's national identity suggest a bleak political future. However, no discussion of the country's future is complete without an assessment of the impact of the policies of Saddam Husayn upon this fractured political culture. Regardless of his own political prospects, Saddam Husayn has—by modifying, if not reshaping political attitudes and expectations—already left a lasting imprint.

### **Saddam's "Concepts" of Rule**

Saddam Husayn inherited a potentially destabilizing, divided society and a political system which had experienced numerous military coups and bloody struggles for power. Not surprisingly, therefore, when Saddam Husayn came to power, his overriding preoccupation was his political survival. Upon assuming office, Saddam declared that the new political order would not fall victim to the practice of "a few officers jumping on a couple of tanks and taking over power."<sup>6</sup> To ensure his political longevity, Saddam relied upon several concepts of rule.

Saddam's primary concept was the personalization of political power and authority. The goal derived from this concept was to make all political activity contingent upon the will and the whim of the president. Accordingly, Saddam set out to establish total control over the political process. Initially, however, he had to share power with President Ahmad Hassan al-Bakr, an older and more widely known man with a strong following in the armed forces and the Ba'ath Party.

Yet, by 1979, Saddam Husayn had replaced Bakr as president, and had brutally removed his most dangerous rivals in the policy making process. Immediately afterwards, he began to create a personality cult that was unique in Iraq's modern history. Within a few years, Saddam, only in his mid-forties, became the Father/Leader: the father of his nation and the leader of his country. His name was linked to some of the greatest leaders in Iraq's history, such as Hammurabi, Harun al-Rashid and Nebuchadnezzar.<sup>7</sup> Kanan Makiya, writing under the pseudonym, Samir al-Khalil, describes Saddam's personality cult this way:

A large painted cut out figure of Saddam Husayn towers over the entrance of every Iraqi village; often at night it emits a lurid fluorescent glow. A thirty

foot high version can be seen near Baghdad city center. Photographs adorn every shop, school, police station, army barracks, and public building, and can be seen in people's offices and living rooms and overhanging the streets from the parapets of houses. No official will appear before a camera without a picture of the president in the background, and his name is evoked in every public address.... School children memorize verses in his honor, praising his qualities. Slogans attributed to him are visible everywhere. School notebooks carry his portrait on the front and his latest sayings on the back.<sup>8</sup>

Along with the personality cult, Saddam Husayn created a police state that consisted of an array of notoriously brutal intelligence and secret police services. Disappearances, torture and killings were commonplace. Informants were everywhere. By the 1980s, Iraqi society had been cowed to the point where it posed little threat to Saddam Husayn's survival.

Saddam Husayn's political survival strategy did not rely exclusively on coercion, but also consisted of efforts to win people's support. Saddam strove to create an image of himself as a meritorious and successful leader by instituting a wide range of social and economic reforms. He provided economic and financial incentives to the business and professional middle classes. He established social welfare programs for the poor, making better housing, free education and medical services, minimum wage, and pension guarantees available to them.

Measures aimed at the alleviation of poverty were politically astute, not just socially equitable. Traditionally, Shi'is had formed the majority of the country's poor, and had felt marginalized or neglected by successive Iraqi governments. As beneficiaries of Saddam's reforms, Iraqi Shi'is were induced to support, rather than oppose the regime. Meanwhile, Saddam's propagandists ensured that the Iraqi people associated the enactment of reforms, and the benefits they conferred, with Saddam himself. In this way, Saddam was depicted as a resourceful and productive leader.

To a greater extent than in other periods of the country's history, during Saddam's rule, the personalization of political authority has been imprinted on the consciousness of every Iraqi. Under Saddam, the glorification of the leader has become embedded in Iraq's political culture, penetrating every stratum of society. Consider the words of Tariq Aziz, one of the most senior and powerful members of the ruling elite:

As for the leader of the movement, Saddam Husayn, he is not a politician who attained political authority through heredity or through rigged elections. He was the 'youth' who started his political struggle ready to martyr himself for the sake of liberation from the dictatorship of Abd al-Karim Kasim, and he is the struggler who was sentenced to death, and who led the secret military and civilian organization of the Ba'ath Party until the victorious revolution of July 1968. *He is the struggler, the organizer, the thinker, and the leader.*<sup>9</sup> (italics added)

Both the party and the clan supplemented Saddam Husayn's personalization of



political authority. By the mid-1970s, the Ba'ath Party, which emerged as Iraq's ruling party following the 1968 coup, and with which Saddam initially shared power, had attracted an estimated one million followers. At that time, Party members dominated the Cabinet and the Revolutionary Command Council, Iraq's highest policy decision-making body. The Ba'ath Party controlled "policy formulation, policy legislation and policy execution. Whoever controlled the party controlled the state."<sup>10</sup>

After his assumption of the presidency in 1979, Saddam Husayn's personal authority over policy began to overtake that of the Ba'ath Party. Yet, because of the Ba'ath Party's prestige and perceived legitimizing role, Saddam Husayn continued dutifully to profess his loyalty to the Party. At least initially, a symbiotic relationship existed whereby the president's authority was enhanced by the prestige of the Party and the administrative functions it performed throughout the country, while the Party's control was aided by the population's acceptance of presidential authority. However, as Saddam Husayn's personality cult grew, the Party's role correspondingly diminished. Thus, by the time of the Gulf crisis, the Party had essentially become an instrument to mobilize public support for the Father/Leader.

Nevertheless, Saddam Husayn continued publicly to profess his fidelity to the Party and its principles. In particular, the regime relied on the Party's principle of secularism to deal with the perceived threat of sectarian divisions within the country, as well as with Iran's Islamic revolutionary proselytizing. According to Saddam, Iran was "using the face of religion to foment sedition and division among the ranks of the Arab nation [and were] trying to instigate fanaticism...among the peoples of this area."<sup>11</sup> In this instance, Saddam did not need to invent political and ideological categories; he simply reiterated the Party's secularist stance.

Saddam Husayn also depended on the clan for his political survival. Tikrit, Saddam's birthplace, provided a disproportionate number of the members of the ruling elite, as well as the support base of the regime. As a seasoned conspirator and a tribesman at heart, Saddam recognized the advantages of *al-assabiya al qabaliya* (tribal solidarity) in defending the regime. Members of the tribes which resided in the town of Tikrit and its surrounding area occupied important decision-making and internal security positions. They also filled the ranks of Iraq's Republican Guard, the most well-trained and well-armed sector of the military, whose sole duty has been to defend the ruling elite.

Unlike the fanfare that accompanied his publicly proclaimed adherence to the Ba'ath Party and its principles, Saddam Husayn's reliance on his clan and region received little notoriety. In fact, Saddam deliberately played down his tribal and regional ties. In 1976, for example, the regime made it an offense for public figures to use names identifying regional or tribal affiliations.<sup>12</sup> This regulation conveniently fit the Ba'athist ideology, which depicted tribal affiliations contemptuously as "the epitome of backwardness and social reaction."<sup>13</sup>

During this period, then, the regime did attempt to repair some of the traditional break lines that existed in Iraq's political culture. Saddam Husayn's social and economic reforms had a favorable impact on all levels of Iraqi society. Moreover, his constant promotion of the Party as a national institution with an unashamedly nationalist ideology aimed at—and to a degree succeeded in—overcoming the fissures in Iraqi society. At the same time, however, the emergence of Saddam Husayn's personality



cult, and the personalization of political authority it was designed to serve, had a more longlasting and injurious impact on Iraq's political culture.

### **Saddam's "Concepts" of Rule in Iraq's Crisis *Milieu***

Since the mid-1980s Iraq has experienced a state of continuous crisis. The first phase of this crisis was marked by major battlefield reversals and the severe weakening of the economy as a result of the war with Iran. In the second phase, the Iraqi military suffered a calamitous defeat in the Gulf War, and the country's economy subsequently collapsed. These crisis conditions undermined Saddam's political stature and caused him to alter his methods of rule.

The considerable loss of prestige by the President is perhaps the most obvious and important change brought about by the crises. As previously mentioned, Saddam's legitimacy had, to a large extent, derived from highly publicized socio-economic reforms and foreign policy initiatives that depicted the young president as a meritorious leader. Saddam Husayn's inability to alleviate Iraq's crisis conditions has nearly blotted out the memory of his earlier successes. Saddam is no longer applauded as a resourceful and productive leader, nor lionized as contemporary Iraq's Nebuchadnezzar or Hammurabi. Rather, he is regarded as an adventurer who plunged Iraq into two debilitating foreign disasters and plundered the country's riches. He is viewed as the man who reduced one of the Arab world's most prosperous and important countries to the status of an international pariah.

The reversal in Saddam Husayn's political standing prompted him to revise his concepts and methods of rule. One of the most striking features of Saddam's post-Gulf War policies has been his increasing dependence on traditional institutions and values, especially tribalism, at the expense of the Ba'ath Party and its national ideology.

Given the challenges posed by the crisis conditions facing Iraq, the regime's emphasis on tribalism over Ba'athism was a logical course to follow. The Party mobilizes support for the regime through a horizontal process of inculcating ideological symbols and values in every individual. Even in the best times, this is a long, cumbersome endeavor. In contrast, the tribal system is patriarchal, with a pyramidal structure wherein tribal loyalty is a cherished value. To gain the tribe's support, Saddam needs only to earn the favor of the few individuals at the top of the hierarchy.

As already discussed, prior to the onset of Iraq's crisis, Saddam had utilized his Tikriti affiliation to supplant the Ba'ath Party as the main support base of the regime. In the 1980s, Saddam increasingly relied on these tribal connections, heavily recruiting Republican Guardsmen from the Sunni tribes of central Iraq, especially from his own tribe of Beijat and the large Zubaidi tribal federations of Dulaim, Jubbur and Ubayd.<sup>14</sup> The relatively poor performance of party cadres in the latter stages of the Iran-Iraq conflict and in the post-Gulf War uprising in the south of the country reinforced Saddam's tendency to rely on this practice. During the insurrection in southern Iraq, a number of Shi'ite tribes upon which Saddam had conferred benefits, either sided with the regime or remained neutral.<sup>15</sup> This further confirmed for Saddam the wisdom of his tactics.

Unlike in the past, Saddam Husayn publicly acknowledged the centrality of the

tribe in Iraq's social structure and extolled the virtue of tribal values and customs. Political demonstrations by tribesmen in support of the President were performed with increasing frequency, and gradually moved from the tribal domain to Baghdad itself. They entered the capital with their rifles, flags, banners, and portraits of Saddam Husayn. There, they performed tribal dances, recited poetic eulogies of their president, and earned as their reward an audience with the Father/Leader, who dressed in tribal garb and addressed them in tribal vernacular. In these appearances, Saddam Husayn emphasized that "the prevailing traditions...among tribesmen should be respected and maintained."<sup>16</sup>

Among the benefits that Saddam appeared to have promised loyal tribesmen were seats in the National Assembly, Iraq's parliament. In the mid-1990s, 60 percent of whose elected members were either tribal leaders or representatives.<sup>17</sup> Saddam has packed other, more consequential political institutions with personnel selected on the basis of tribal and regional affiliations. According to one recent study, just one of the eight members serving on the Revolutionary Command Council in Fall 1995 was born in a major city; and, of the 17 members of the Party Command, only two or three were born in a major city.<sup>18</sup> The regime rescinded the 1976 ban on the use of names showing tribal or regional connections. By the 1990s, nearly everyone had reverted to the practice. The names of those elected to the National Assembly in March 1995 is a *Who's Who* in contemporary Iraqi tribal structure.<sup>19</sup>

The re-emergence of tribalism in the political and social fabric of Iraq was aided immeasurably by the President's avowed and total dependence on his own family and clan during the last ten years. Numerous brothers, cousins and other relatives occupied powerful cabinet portfolios and critical security positions. As the ideological mood shifted from the meritocracy of the Party to the kinship of the tribe, it became easier to explain the dominance of family members among the ruling elite—another reason why it was no longer necessary to outlaw the addition of tribal affiliations to the names of individuals.

The emphasis on family, clan and tribe further weakened the Party, in which fervor had, in any event, gradually given way to cynicism. The Party, which in the 1970s had been entrusted with the rejuvenation and elevation of Iraqi society, in the 1990s ended up presiding over the society's virtual disintegration. The sanctions-induced economic collapse wiped out the middle class. Party cadres who belonged to this class found it difficult to think revolutionary thoughts while struggling with two or three jobs to survive.

The Party's prestige and usefulness to the regime has plummeted to the point that the rulers no longer ask it to perform traditional patriotic duties, such as executing traitors. In 1979, Saddam Husayn, who had uncovered a plot against him, had demanded that Party members not only try the conspirators, but participate *en masse* in executing them.<sup>20</sup> In contrast, in Spring 1996, when two of the President's cousins (who were also his sons-in-law) defected and then inexplicably returned to Iraq, the executioners were "heroic youths from the (clans of) Aal Abd al-Ghafour and Alboo Sultan," members of Saddam's own Majid clan of the Beijat tribe.<sup>21</sup>

The regime's reliance on tribal affiliation was expedient, but it has also incurred

risks. In order to curry favor with tribal leaders, Iraq's authorities had initially turned a blind eye to the tribes' circumvention of the state's legal system and use of tribal arbitration procedures, called *al-Fasl al-'Asha'iri*. However, the judicial separation of tribe from state must have become so destabilizing that in March 1997, the Iraqi authorities promulgated a law that made tribal tribunals illegal, with the threat of three years' imprisonment to anyone who uses them. The Iraqi daily *al-Jumhuriya* commented that no institution should be allowed to undermine the authority of the state in its effort to serve the public interest.<sup>22</sup> Similarly, as the defection of Saddam's cousins and feuds between his son, Uday, and brothers demonstrate, dependence on family, clan and tribe can backfire.

Evidence of the erosion of support for the regime is also evident within the ranks of the military. Over the last few years, a number of attempted military coups have raised questions about the reliability of the armed forces. What is significant about these coups is that most have been attempted by officers of the Republican Guard, the very institution created by the regime from tribal elements. Two operations against the regime were launched by officers from the Jubbur tribe, and led to a number of executions and dismissals of officers from the Jubbur and Ubayd tribes. The Mukhlis family, one of the most prominent families in Tikrit, suffered a similar fate. So has the family of former President Bakr, which comes from the same tribe as Saddam Husayn, albeit a different clan. Perhaps the most serious incident was the failed coup of May 1995. This led to the torture and execution of an air force general belonging to the huge tribal federation of Dulaim, in turn precipitating a revolt by segments of the tribe that took three weeks to suppress. In the wake of the revolt, the regime moved against a number of officers belonging to this powerful Sunni tribe, which until then had been, like the Jubbur and Ubayd, a main pillar of support for the regime.<sup>23</sup>

Besides fatally weakening the Ba'ath Party and backfiring on the regime, Saddam Husayn's increasing emphasis on tribal affiliation in order to ensure his political survival has had a profoundly damaging impact on Iraq's political culture. The regime has fostered particularistic, sub-national and competing loyalties. In the course of doing so, Saddam Husayn has accelerated the decay of vital national institutions. In fact, he has demolished Iraq's national identity, which had taken nearly a century of statehood to build.

### **What Direction Iraq's Political Future?**

Because Saddam's system of personalized rule has been significantly weakened, there is a realistic possibility that his regime will collapse. His having recently survived *coup* attempts and secured the UN "oil-for-food" agreement should not be regarded as evidence of the overall stability of Saddam's regime. Compared with 1979 (when he assumed the presidency), and especially since 1991, Saddam Husayn's image has been tarnished, perhaps irreparably; moreover, the political order over which he presides has become somewhat fragile.

Saddam has lost the carefully cultivated image of a meritorious leader. His support base has been constricted to an extent that neither family nor tribe, to say nothing of the Party, can be relied upon to vigorously defend the regime. More than ever,



Saddam's relationship with the military is based on fear and mistrust. A sign that Saddam is concerned about the deterioration of his relationship with the military is his creation of a civilian militia to safeguard his position.

Were Saddam to retain power, it is unlikely that he would be able to exercise it as freely as in the past. Instead, Saddam will probably continue to resort to the method of rule he has employed since the Gulf War. In that case, Saddam will lack a coherent long-term strategy, and will remain locked in a reactive mode. He will continue to behave erratically until someone exposes and exploits the objective weaknesses of the regime.

It is unlikely that Saddam's successor will institute a liberal, pluralist political order. The succession process is bound to be violent, and Saddam's replacement is likely to be a seasoned conspirator, a predator. The violent take-over of power, moreover, will occur in dangerously unstable crisis conditions where a number of competing centers of power exist. Democracy cannot be introduced, nor can it flourish, in this environment. Furthermore, years of personalized authoritarian rule might have habituated the Iraqi people to the tyranny of one-man rule. Paradoxically, many Iraqis who have endured Saddam's calamitous failures, nonetheless believe that their country *absolutely needs a strong central figure to hold it together*.

If the prospects for democracy in post-Saddam Iraq are grim, so too are prospects for resuming the incomplete project of constructing an Iraqi national identity. The idea of a transcendent national identity had begun to acquire real substance as the result of the introduction of national education, the accommodation of middle class economic interests, and the creation of a modern army. In fact, the social and economic reforms that Saddam Husayn introduced in the early years of his presidency contributed to this. However, progress towards the realization of an Iraqi national identity was eventually negated by Saddam's concepts of rule, especially since Iraq entered a protracted period of crisis in the mid-1980s.

Saddam's conscious effort to re-tribalize Iraqi society has not only further segmented Iraqi society, but has also encouraged ethnic and sectarian sub-national tendencies that could erupt into violence were a prolonged power struggle to ensue after Saddam's demise. The March 1991 Shi'i insurrection in southern Iraq, which was ruthlessly suppressed by the essentially Sunni troops of the Republican Guard, warns of the possibility of intensified sectarian discord.<sup>24</sup> The danger is greater with regard to the Kurdish-Arab divide, where, despite differences amongst themselves, Iraqi Kurds have displayed an unwavering common commitment to the goal of creating a Kurdish homeland, ideally a sovereign state.<sup>25</sup> Societal fragmentation along sectarian and/or ethnic lines, besides threatening the integrity of Iraq as a state, is bound to confirm the belief held by many Iraqis in the absolute necessity of centralized rule, further reducing the prospects for democracy.

## Notes

1. Quoted in Joseph S. Nye, Jr., *Understanding International Conflicts*, 2nd ed., (New York: Longman, 1997) p.42.



2. See 'Abbes al-'Azzawi, *'Ashai'r al-'Iraq*, 3 vols [The Tribes of Iraq] (Baghdad: Sharikat a-Tijara wal 'Tiba', 1958).
3. Amatzia Baram, "Neo-Tribalism in Iraq: Saddam Husayn's Tribal Policies 1991-96," *International Journal of Middle East Studies*, 29 (1997) pp. 2-3.
4. Hanna Batatu, *The Old Social Classes and the Revolutionary Movements of Iraq* (Princeton, NJ: Princeton University Press, 1978) pp. 25-26.
5. Quoted in Baram, *op. cit.*, p. 2.
6. Quoted in Adeed Dawisha, "Iraq and the Arab World: The Gulf War and After," *The World Today*, 37 (1981) p. 157.
7. Efraim Karsh and Inari Rautsi, *Saddam Husayn: A Political Biography* (New York: The Free Press, 1991) p. 124.
8. Samir al-Khalil, *Republic of Fear: The Politics of Modern Iraq* (Berkeley, CA: University of California Press, 1989) p. 110.
9. Quoted in Adeed Dawisha, ed., *Islam and Foreign Policy* (London: Cambridge University Press, 1983) p. 113.
10. Phebe Marr, *The Modern History of Iraq* (Boulder, CO: Westview Press, 1985), pp. 226-7.
11. Quoted in Dawisha, *Islam and Foreign Policy*, p. 122.
12. Marr, *op. cit.*, p. 228.
13. Baram, *op.cit.*, p. 1.
14. *Ibid.*, p. 5; For an appreciation of the vastness of these tribal federations, consult 'Azzawi, *op. cit.*
15. *Ibid.*, pp. 8-10.
16. *Ibid.*, p. 11.
17. Fuad Habba, *Taqieem awali liwathi' alsulta alhakima wal mua'ratha fil Iraq* [A Preliminary Assessment of the Conditions of the Ruling Authority and the Opposition in Iraq], *Qathaia Iraquia* [Iraqi Issues], 2, December 1996, p. 16.
18. Baram, *op.cit.*, p. 30.
19. Foreign Broadcast Information Service, *Daily Report: Near East and South Asia*, March 26, 1996, pp. 29-32.
20. Karsh, *op. cit.*, p.116; Al-Khalil, *op.cit.*, p. 72.
21. *Al-Thawra*, February, 23, 1996.
22. *Al-Jumhuriya*, March 25, 1997.
23. Baram, *op. cit.*, p. 6.
24. There is considerable evidence that the goal of the Baghdad government was not confined to the physical destruction of the Shi'ite areas. Baghdad tried to obliterate Shi'ite cultural heritage as well. See Kanan Makiya, *Cruelty and Silence: War, Tyranny, Uprising and the Arab World* (New York: Norton and Company, 1993) pp. 74-75, 77-78, 101-2; and Yitzhak Nakash, *The Shi'is of Iraq* (Princeton, NJ: Princeton University Press, 1994) pp. 276-77.
25. See, for example, the speech given by the Kurdish leader, Mas'ud Barzani, at the height of the Kurdish insurrection, which is quoted in Makiya, p. 88.

# Repression, Conformity and Legitimacy: Prospects for an Iraqi Social Contract

Isam Al-Khafaji

The leading authorities on Iraq have acknowledged, explicitly or implicitly, the difficulties involved in analyzing the fluid social structure of contemporary Iraq. Marion Farouk-Sluglett and Peter Sluglett, for example, begin their book on Iraq with the following explanatory note:

...the combination of the poor state of existing socio-economic data and the impossibility of collecting material ourselves has led us to write a political history rather than to attempt a socio-economic analysis of contemporary Iraqi society.<sup>1</sup>

Hanna Batatu also encountered these difficulties in writing his seminal work, *The Old Social Classes and the Revolutionary Movements of Iraq: A Study of Iraq's Old Landed and Commercial Classes, and of its Communists, Ba'athists and Free Officers*.<sup>2</sup> By selecting the words "classes" and "movements" for use in the title, Batatu appears to have acknowledged this problem. The analysis that he provides is even more revealing. In examining the pre-revolutionary period in Iraq (i.e., the late Ottoman era to the July 14, 1958 revolution), Batatu places special emphasis on social classes, groupings and strata and their political representations. Yet, in covering the post-1958 period, Batatu analyzes the embryonic "modern classes" almost exclusively in political terms. According to Batatu, there was no alternative to this approach at the time the book was written.<sup>3</sup>

Studying Iraqi society under the monarchy seemed to fit within a classical Marxian or Weberian framework whereby occupational, class or income categories would be almost sufficient to deduce the political attitudes and programs adopted by various social groups. Even the one exceptional case of a "vertical" solidarity cutting across different social strata, namely, the Kurdish nationalist movement, seemed explainable

in terms of class analysis. This is because the national question was considered a secondary, albeit important, question whose solution depended on the final outcome of the struggle on a national scale.

Yet, apart from a few Iraqi scholars, politicians and journalists, no one ventured into the risky area of analyzing the social structure of Iraq in the post-1958 period. Those Iraqis who did so were primarily motivated by their opposition to the Ba'athist regime. Thus, the works they produced were mostly polemical and propagandistic, even when they relied on the available empirical data. These authors constructed categories and manipulated data to conform to their ideologies and substantiate their points of view (or those of the party to which they belonged).

Authors of recent works on Iraq, especially those among the growing number of writers on Iraq since Saddam Husayn's invasion of Kuwait and the Gulf War, have avoided social analysis altogether. Instead, they have focused on the present political map of the opposition movement and the regime. This cannot be attributed simply to a lack of information about Iraqi society. In fact, unlike in the past, a great deal of empirical data on Iraq is currently available, largely because a multitude of international teams and observers have, since the end of the Gulf War, forced the country to open its doors. The few examples of scholarly works that have sought to depict the determinants of social action and behavior among Iraqis in the medium and long terms are reasonably accurate.<sup>4</sup> However, in explaining Iraqi politics in terms of social dynamics, most works on Iraq written in the 1990s are sadly superficial. Their main analytical deficiency is that they use a transient and highly turbulent moment of a people's history as a yardstick to judge Iraqi society's perception of its identity, political orientations and aspirations. Complicating matters, the despotic nature of the Iraqi regime has reinforced the idea that there are two separate and distinct realms: that of politics, which is viewed as the monopoly of state leaders or a single ruling tyrant; and that of a passive society, which lacks the means of conditioning and/or influencing political decision making, and whose active actions are predetermined by the "primordial" relationships of each of its component sections.

Many Washington-based analysts employ methods reminiscent of the 1940s Moscow-based Stalinist pamphleteers, who neatly placed the proletariat, the petit *bourgeoisie*, the grand *bourgeoisie*, and the feudal landlords in political pigeonholes. In classifying the Iraqi people, these analysts divide the population into presumed "natural" vertical categories: sects, religions, nationalities, ethnic and tribal groups. Using this system of classification, they deduce the political spectrum and outcome, and then devise the remedies for Iraq's maladies.<sup>5</sup> The conclusions reached in these analyses are predictable: the various social agents not incorporated in the state structures would, by definition, pursue particularistic interests in order to enhance their position. From that follows the tautological conclusion that the only cohesive body that can consolidate national structures would be the existing state structures (admittedly with some modifications).<sup>6</sup>

This paper argues that it is mistaken and highly misleading to deduce fixed sets of practices and modes of collective action from a description of basic identities. The shortcomings of this approach are most glaring when such a description is simplistic, and/or when people's conceptions of their own identities during periods of great un-



certainty are taken as a constant over the longer term. The ways that various segments of Iraqi society view their collective identities today will definitely play a role in shaping the course of future events. However, whether these self-perceptions will persist depends on numerous intervening factors, especially the state-society relationship. In turn, this relationship is, and will remain, conditioned by domestic, regional and international factors; moreover, it is, and will be, subject to economic, social, demographic, and cultural constraints.

### **Twilight of the Rentier State?**

Numerous excellent studies and reports have documented the present, tragic conditions under which the Iraqi population lives.<sup>7</sup> Many of these works have rightly emphasized the role of international sanctions, combined with the reckless policies of a dictatorial regime, in bringing about these conditions. State institutions responsible for providing the basic minimum needs of security, public health, education, and training, and those responsible for the management of the economy are on the verge of collapse. Some state institutions and services have ceased to exist, while those that administer the rationing system operate relatively efficiently. One should be careful when applying concepts related to a peace-time economy and society to the case of present-day Iraq. Nevertheless, there is no doubt that the developments just described will contribute further to weakening the state's grip on the economy and society.

Several authors have discussed the shifting relationship between the state and the private sector, but have tended to ascribe changes in this relationship to the financial difficulties faced by the Iraqi state due to the Iran-Iraq War.<sup>8</sup> Elsewhere, I have argued that, whereas these financial problems have reinforced the trend towards privatization, the shift in the relationship between the state and private sector is an inevitable outcome of the logic of state capitalist regimes.<sup>9</sup> I have also argued that, contrary to widely held opinion, this shifting relationship is neither an accidental by-product of exogenous forces (e.g., wars or the decline of oil prices), nor simply a policy change triggered by the crash of the Soviet model of development.<sup>10</sup> Although analyzing the dynamics of state capitalism is beyond the scope of this paper, suffice it to say that state capitalism confines some basic sectors of the economy to the private sector. The process of private capital accumulation takes place through the interaction between public and private sectors. Depending on several conditions—some of which are not strictly endogenous to the state capitalist regimes themselves—the life cycle of such regimes, which are inherently unstable, ends when an indigenous class of capitalists gains enough resources and influence to do away with the need for state incubation.<sup>11</sup>

This is what one might call “the ideal outcome” of late industrialization and state capitalism, whether in 19th century Germany, or early 20th century Japan, or the recent experiences of the newly industrializing countries (NICs). In contrast, the Iraqi experience (as well as the Nasserite one in Egypt, and the Syrian and Algerian cases) initially followed a similar path, but ended tragically. As this study will show, this failure had profound repercussions on the future of Iraqi society because it left no viable collective institutions that might be looked upon to provide an alternative strategy for the resumption of the development drive of the 1970s.



Iraq's successive revolutions and *coups d'état* brought about necessary, but not sufficient, changes conducive to the formation of a civil society. The republican regimes dismantled the pre-*bourgeois* socio-economic structures by adopting sweeping land reform acts, centralizing education and imposing uniform curricula, opening paths for upward mobility for the marginalized middle and lower strata originating from provincial towns, fighting illiteracy, and expanding as well as extending basic services to wider sections of the population. Tribal and religious social institutions loosened their grip on their followers, and began to lose their political, economic and social functions. Meanwhile, the older, urban civil groupings were submerged in the floods of internal migrants that had entered Iraq's large cities, especially Baghdad, since the end of the Second World War.

Present-day nostalgic writings by Iraqis and non-Iraqis present the peculiar urban structures that existed before the triumph of the nationalistic revolutions in the Arab Middle East as "civil societies." Yet a closer analysis of the internal structures of these groups, and of the division of labor among its constituent parts, should caution us against applying such terms to a pyramid of *semi-civil blocks*, whereby specific roles in the social hierarchy tended to be occupied by descendants of certain sects, tribes, ethnic groups, and regions. Parliamentary politics camouflaged the fact that many "traditional" political parties and factions were built upon vertical loyalties. The apparently flourishing cultural life was confined to a very narrow audience of urban elites. Thus the rise of new actors in social life was the cause, rather than the effect, of the revolutions. In other words, the rigid and non-expanding urban sector monopolized the most rewarding opportunities and retained command over political and cultural life, while the expanding state incorporated more and more of the non-privileged strata into its civilian, military and paramilitary apparati. This exacerbated the tensions between established interests on the one hand, and aspiring but blocked interests on the other.

The new nationalistic regimes were led by these rising strata, which, like their predecessors, expressed envy as well as hatred towards the established urban civil blocks and corrupt absentee landlords. The reformist policies of the national revolutions contributed not just to the atomization of Iraq's population, but also to the rise of the *individual citizen* (i.e., the citizen whose role and function in society is not predetermined by any primordial relations, and whose collective identity is decided by his own choice and decision). The rise of the individual citizen in Iraq—an unintended effect of the reformist policies and an essential precondition for the development of civil society—was achieved through a process in which the state asserted its supremacy over all the other autonomous groups within Iraqi society.

While the republican regimes performed their "destructive" functions more or less efficiently, they carried out their "constructive" role (i.e., laying the ground for a superior mechanism for social and economic development) in a manner that proved to be disastrous. According to the mainstream, neo-liberal discourse, interventionist state and "socialist" strategies should be blamed for this; however, the cases of the late industrializers mentioned above do not substantiate this argument. The fact that the state intervenes in the free play of the market, and tends to distort the price structure in such a way as to divert resources to certain privileged sectors and/or strata, does not

guarantee the emergence of a self-sustained capitalist system in a given country. Nor, as was previously assumed, does it necessarily produce an anti-capitalist, inefficient system. The interventionist states of South East Asia (and the Japanese and German states long before them) used the political and institutional powers at their disposal to divert resources towards those strata that came to form strong and coherent capitalist classes in their respective countries. This process subjected the middle and working classes in these countries to harsh exploitation and repressive, sometimes corrupt, political regimes. However, the process also produced vibrant bodies of civil representation ranging from political parties, and trade unions and associations, to cultural and media institutions that are autonomous of, and in many instances antagonistic to, state policies and the ruling political structures.

So what went wrong with the Iraqi (and Middle Eastern) experiences? Due to relatively large oil revenues since 1952, Iraq was spared problems that other “third world” countries faced, namely, the search for hard currency and means for financing its investment expenditure. Therefore, policy makers and planners were exempt from pressure to raise the competitiveness of Iraq’s industry and agriculture, or to find export outlets for Iraqi products (as was the case with the cash-strapped NICs, for example). But, they were not exempt from pressure to create jobs for the unemployed and to raise standards of living. Iraqi officials adopted policies to meet these challenges, culminating in a 1974 decree by the Revolutionary Command Council whereby the state guaranteed work for all Iraqis. Thus, the ruling Ba’ath Party gained the support, or at least the acquiescence, of wide segments of the population.

From 1958 to 1977, the number of personnel employed by the state jumped from 20,000 to more than 580,000, not including the estimated 230,000 in the armed services at that time and the 200,000 pensioners directly dependent on the state.<sup>12</sup> According to statistics compiled by the United Nations just after the Gulf War, there are an estimated 822,000 persons on the Iraqi state civilian payroll, including about 400,000 in the active duty armed forces, 350,000 pensioners, and 200,000 who work for the various state and party security services. In proportional terms, this means that the civilian state apparatuses employ approximately 21 percent of the active work force, and that about 40 percent of Iraqi households are directly dependent on government payments.<sup>13</sup>

The policies of Iraq’s post-1958 governments have resulted in the state becoming a giant Leviathan, not a vehicle for development and/or modernization. As oil revenues jumped from an average of \$600 million between 1970 and 1972, to \$8.5 billion in 1976, then to \$26 billion in 1980, the state not only became the biggest single employer of the workforce in the economy, but also the main generator of hard currency, and through both, the main purchaser of products and services of a flourishing private sector. Total government expenditure soared from about 34.8 percent of GDP in the period 1970-1973, to 38.1 percent in 1980, and to 51.5 percent of GDP in 1985.<sup>14</sup>

The above figures may give the impression that Iraq was only replicating a Soviet-style industrialization path. Yet, a closer look at the composition of government expenditure will show that this was not the case. A breakdown of Iraq’s gross domestic capital formation (GDCF) shows that, as more resources were becoming available to



the state, the country diverged more sharply from the path of late industrializers. Between 1970 and 1990, the ratio of residential and non-residential buildings to machines, equipment, and means of transportation changed. The share of the first category rose from 62 percent in the period 1970-1975, to 62.7 in the latter 1970s, to 71.2 percent in the first half of the 1980's, and 71.9 percent in the period 1985-1990.<sup>15</sup> Given the fact that private contractors continued to dominate the construction sector of the economy, naturally the most affluent groups of Iraqi capitalists were composed of "fat cats" who vied with each other to show their allegiance to the regime. The object of their competition was to gain more contracts from the state, from brokers who provided imported goods, and from industrialists who were eager to satisfy the needs of state agencies that were becoming their main market.

Because members of Iraq's atomized population were linked individually to the state apparatus, forms of collective identities to replace the old pre-capitalist ones could not emerge. The state-encouraged influx of Arab and Asian migrant workers ensured the presence of a reserve army of labor that could suppress any demands for better living and work conditions. Relative economic prosperity made such demands less urgent, and rendered collective action a risky behavior that could earn the wrath of the state agencies. In fact, the state harshly suppressed unions and autonomous associations. At the same time, however, the state responded sympathetically to individual petitions for wage increase or special favors (provided they were requests, not demands), contributing further to the atomization of Iraqi society.

By the second half of the 1980s, Iraq began to resemble Egypt of the early 1970s. The 1988 household budget survey reveals the extent of privatization. The survey shows that the proportion of non-wage income in the urban areas grew from 51 percent in 1977, to 74 percent in 1988, and from 67 percent to 84 percent in rural areas during the same period<sup>16</sup> Although these figures show a definite decline in the role of the state as an employer during the 1980s, they nonetheless reveal the structural weaknesses of the Iraqi economy. Almost three-quarters of total income in urban areas, and well over four-fifths in rural areas, were profits and rents. A substantial percentage of the population earned their incomes from unorganized (i.e., informal) activities and small-scale businesses (e.g., shopkeeping, taxi driving, etc.), while organized large-scale private establishments in the productive spheres employed a tiny fraction of the labor force.

"Fat cats" closely connected to those in the upper hierarchy of the political system were beginning to encroach upon state property. The state, meanwhile, sought to unload some of the burden of its property because the state's resources were already stretched beyond capacity, and the threat of economic depression loomed for the first time in decades. The despotic nature of the Iraqi regime has led many commentators to overlook the shift in the state discourse towards Iraq's affluent classes. The regime, very anxious to perpetuate its image of omnipotence and omnipresence, began soliciting, rather than coercing, those strata to contribute to developmental efforts. All of these symptoms were quite apparent as early as the late 1980s.

### **Iraq in the Twenty-First Century**

Iraq can no longer count on the resumption of oil exports to return to its pre-Gulf

War level of social and economic activity. Even if Iraq were to recover its pre-war oil production capacity (i.e., 3.5 million b/d), revenues generated by oil exports would not provide a comparable level of economic activity, nor serve as a source of the state's strength to the same extent that it once did. Iraq faces low oil prices as well as immense war reparations, compensation and debt repayment obligations. Iraq must also contend with its strategic vulnerability (i.e., its lacking an independent outlet to the sea). These pressures will probably force any Iraqi regime to rely more on private initiatives and to open up its financial markets for foreign capital. This begs several questions. How will the private sector respond? What foreign capital is likely to respond? And, how will this shape the future of Iraqi society and politics?

It may be useful to begin with a more fundamental question: What is the composition of the "private sector" and its prospective relationship with the state? The pertinence of this question is obvious, given the fact that sub-national identities are apparent in the political and social practices of the ruling regime as well as in those of some opposition movements.

The Iran-Iraq War served, among other things, to redefine the borders between Arab Sunnis, Shi'is and Kurds in Iraq. It put the latter two communities on the defensive by questioning their "true Iraqism." It established a new hierarchy of privileged sub-communities even among Iraqi Sunnis to the extent that it would be incorrect to generalize about whole sects.

The Ba'athist formula for restructuring the ethnic/sectarian relations in Iraq does not consist exclusively of reliance on violence and brutality. Rather, the Ba'ath created and developed new norms and notions, to which Iraq's impoverished political culture has become accustomed. Ba'athist rule brought a radical improvement in the economic conditions of Iraqis, developed a vast network of public educational and health institutions, and constructed a wide range of infrastructural facilities, including the electrification of about 75 percent of the countryside. Accordingly, the Ba'athist claim of fulfilling the "will of the nation" grew increasingly bold. The metaphors frequently used in Ba'athist discourse are of great significance, because the concept of representation of the people's interests, or, of "The Nation," was totally absent. Instead, the nation and the political leadership were reified and equated, and both referred to as "The Revolution." Equating the nation with the political leadership was designed to present those who dared to criticize or oppose the regime as enemies of the revolution, that is, of the nation. Since the nation was a subject with a will, it could not be hostile to itself. Thus, the only source of hostility could come from forces outside the nation that have successfully infiltrated it. Whenever acts hostile to the regime were uncovered, the Ba'athist ideological machine did its best to prove that its perpetrators had some non-Arab blood running in them.

This explains why the Kurds were targeted whenever they demanded recognition of their national rights. The degradation of Iraqi politics under the monolithic rule of the Ba'ath also explains the shift from the 1958 constitution, which stated that Arabs and Kurds were partners in Iraq, to the resolution passed by the tenth pan-Arab Congress (Qawmi) of the Ba'ath Party 20 years later, which declared that Iraqi soil is Arab land. Thus, whenever autonomy is granted to a minority in Iraq, it should be under-



stood that this autonomy applies to the people, but not to territory. The roots of this attitude—not just towards the Kurds, but to all those not belonging to the ruling family, including Arab Sunnis—is traceable to the tribal practice of “*dkhala*,” whereby an individual, family or clan asks the protection of a stronger tribe or clan. The granting of this right is the sole prerogative of the tribal chief. In exchange for his protection, the *dakheel* is then expected to work for the tribe. Theoretically, the *dakheel* can gradually acquire the same rights as the tribe’s members, including the right to marry one of its women, if he proves his loyalty through fighting and/or hard work. But in practice, a *dakheel* is always considered inferior since he had been outcast by his kinsmen.

To say that the Ba’athist attitude towards the different associations of Iraqis is a modern version of the practice of *dkhala* means that, from the point of view of a tribe, the fact that Kurds live on their own land and have a longer historical attachment to it than most Iraqi Arabs, is irrelevant. A tribe’s land is territory which it had conquered or settled in, and which it can protect from the incursions of rival groups or tribes. Thus, the official historiography of the Iraqi regime takes as its point of departure the presence of Arabs in Iraq, without referring to the history of their presence. It then describes the benevolence of the Arabs in their treatment of non-Arab subjects.

Persons who have proved loyal to the modern tribe (i.e., the regime) have been eligible to occupy senior posts in the decision-making bodies of the Ba’athist regime, provided they have acted as faithful individuals, rather than as representatives of a non-Ba’athist group. However, once these individuals lose favor with the regime, their families or even their tribes, can expect to suffer reprisals.

Accordingly, the regime always regarded the Kurds as *dakheels*, or at best, as guests of Iraq. As is well known, the Kurdish leadership did not live up to the expectations of the Ba’ath during the Iran-Iraq War. Kurdish leaders viewed the war as a struggle between two alien and hostile regimes. From the perspective of these leaders, the longer the war lasted, the better, since the conflict engaged the armed forces of both countries in battle with each other, rather than against Kurds. Moreover, a protracted conflict promised to weaken both regimes, thereby improving the Kurds’ prospects for wresting concessions from them.

The Iran-Iraq War, however, dramatically changed public attitudes in Iraq. It fostered a sense of Iraqi nationalism, especially after 1983, when Iran went on the offensive, insisting that the only way to end the conflict was to defeat Iraq. The Iraqi regime cleverly exploited nationalist feelings. As a result of this cynical manipulation, many non-Ba’athists and even some Ba’athists were complicitous, or at least acquiesced in, the atrocities committed by the regime against the Kurds. In fact, by the mid-1980s, the *raison de la revolution* had grown so compulsive, that the regime could perpetrate and justify almost any act without fear of a public outcry. Brutality and despotism alone cannot explain the silence that accompanied the regime’s heinous acts.

It was relatively easy to single out the Kurds as traitors, given the history of anti-state revolts that they have waged, and the bitter memories of two generations of military conscripts who fought them. However, dealing with the Shi’i opposition to the Ba’ath, especially in the context of the Iran-Iraq War, proved to be a thornier problem. Because the Shi’is and Kurds constitute about 75 percent of the Iraqi population, the

regime could not question the Shi'is' Arabic origin, lest it undermine the very notion of Iraq as an Arab country. Nor was it possible for the regime to attack Shi'ism as a heretic sect, since that would lead Iraqi Shi'is to defend their identity through an alliance with Iran, thus creating the conditions for civil war in Iraq.

In the meantime, the Iraqi regime cast the war with Iran as a struggle to defend "real" Islam, because Iranian propaganda portrayed Ba'athist secularism as corrupt and atheistic. The Iraqi regime's ideological legitimization of the war was tremendously important during the first years of the conflict, when Iran enjoyed great popular sympathy among many Arabs and Iraq was unquestionably an aggressor. The Iraqi regime adjusted its discourse in a way that heavily emphasized the Arabic nature of Islam, depicting anyone who opposed the Arabs as an enemy of Islam.

According to this logic, the Ba'ath proceeded to show that there had always been Iranian agents and infiltrators in Iraqi society who benefited from the weakness of the past governments, controlled Iraq's domestic market, and used their economic power to bring the Shi'is under Iranian influence. The rise of Iraqi nationalism, coupled with the atmosphere of war preparations in 1980, led to the deportation to Iran of no less than a quarter of a million Iraqi Shi'is, and to the confiscation and resale of their properties at token prices to favorites of the regime.

By the mid-1980s, the borders as well as the relations between and among the various Iraqi communities had taken their new shape. Not only were Kurds and Shi'is relegated to obscurity, but the gradual transformation of Arab Sunni society was also completed, whereby urban Sunnis lost all influence in Iraqi politics and society to Sunnis originating from provincial towns. Except for General Husham Sabah al-Fakhri from Mosul, no Baghdadi, Basri, or Mosulite personality occupied a position in the higher levels of Iraqi political bodies. In addition to the Tikritis, the main beneficiaries of this long-term change were newcomers to the Iraqi business community who originated from the so-called "Sunni Arab triangle." While sons of the Jubbur tribe—whose lands extend from the south of Mosul to Tikrit—staffed the main military and intelligence posts, Kubaisis from a town west of Baghdad acquired a quasi-monopoly over the textile industry and trade after the 1980 Shi'ite deportations. In sum, a new hierarchy of power emerged, in which certain clans, families, and individuals won their places, not because of their *a priori* sectarian or ethnic affiliations, but because they had proved loyal to, and shared the outlook of, the hard core of the regime.

In the new power block, there are Kurdish, Christian and Shi'ite individuals who have not lost favor with the regime, despite backlashes against their respective communities. Meanwhile, some Sunni Arab towns or clans have been targets of the regime's wrath. The probability of an entire Shi'ite or Kurdish tribe or town occupying a privileged position in the power block had always been low, and further decreased after the second Gulf War and the ensuing uprising. However, the Kurdish tribes that cooperated with the regime and constituted the mercenary Juhoush troops, as well as the Shi'ite families and tribes that supported the regime during the Iran-Iraq War, enjoyed a considerable improvement in their economic situation. Furthermore, their leaders were incorporated into Iraq's *bourgeois* elite, though they were never raised to sensitive or effective positions in the decision-making bodies of the regime.



Thus, from an historical perspective, this pattern of social stratification could have been a permanent one, had the mechanisms of the 1970s economic expansion operated for a significantly longer period. Although the policies of the Ba'athist regime have always been biased towards particular clans, sects, regions, and tribes, the atmosphere of relative prosperity ensured that various sections of the non-privileged regions and/or strata had access to small slices of the national pie. Yet, since at least the end of the Iran-Iraq War, this has not been the case. As Iraq launched its massive privatization policies, it became quite clear that the beneficiaries were mainly members of the ruling family, collaborators with the regime, and/or descendants from tribes or regions that have composed the social base of the regime. The sectarian discourse and policies of the regime were sharply pronounced following the 1991 popular uprising, when anti-Shi'ite slogans were publicly displayed for the first time in Iraq's modern history. During the 1990s, Iraqi society has been severely fragmented.

Contrary to the arguments of many commentators, the shift in the composition of the economic elite in Iraq has not consisted solely of Sunni Arabs imposing their hegemony on others. Rather, dramatic changes have occurred within every sect. The power base of Sunni Arab families is no longer industrial Mosul, nor are their elites members of, for example, the Hadid family. Similarly, the rich commercial Shi'ite families from Basra and Najaf, the Kurdish Baban and Jaf families from Sulaimaniyya or Kirkuk, are no longer the patrons of their respective sects and/or localities. *Nouveaux-riches* from provincial towns and of humble origins from all of these sects play leading roles in Iraq's socio-economic life. It is this change that should caution us against any simple deduction (and reduction) of identity among Iraqis. Shi'is in the south who are not from the religious centers of Najaf, Kerbala or Kadhumain, or, who have not passed through formal religious training, would be closer to their tribesmen than to the Shi'ite religious parties. Similarly, Shi'is descending from established urban families would not take for granted the claims by "radical" movements such as *al-Dawa* to represent them.

Thus, a *bourgeoisie* that has adopted its activities to cater for a state apparatus, and that has intimate personal connections with the Ba'athist families is likely to persist, even if one assumes that a bloody and radical change in the regime will take place. It remains to be seen what kind of relationship this *bourgeoisie* can forge with its expatriate counterpart, which is waiting to seize the opportunity provided by the drastic fall in the value of the Iraqi *dinar* and, therefore, in the prices of almost all the local factors of production. Whatever the outcome, it is very likely that both factions of Iraq's *bourgeoisie* will benefit from the hostility to the interventionist state (which has been virtually synonymous with a despotic state), and will demand total liberalization of the economy. Given Iraq's current conditions, the free play of market forces can only lead to more disasters in the social, political and economic spheres.

As is well known, large fortunes accumulated in private hands do not automatically create capitalism. In fact, the creation of capitalism is impeded if short-term profitability of investment is secured through such mechanisms as speculation and the flight of capital abroad. By opening up the banking sector and free trade, neo-liberal policies will prove to be no less detrimental to the growth of a self-sustaining capitalist economy

than the rentier state capitalist system, because it would not be to the interest of capitalists to invest in industry, or in material production in general. Moreover, it would be reasonable to expect that “Islamic funds” would not only flourish, but will turn into political time bombs, as Saudi and Iranian influence would be translated into capital invested in such institutions in order to further the interests of their local allies, despite the economic difficulties encountered by each of the region’s countries. This is likely to occur also because the state will be eager to satisfy the interests of the financial tycoons, as it can no longer play the paternal role that it had in the 1970s. The effect will snowball: state officials will compensate for what will necessarily be low incomes (i.e., because of financial and budgetary constraints) by favoring the upper classes in exchange for bribes and other rewards; the upper classes will exert their increased leverage in order to extract more concessions from the state in the form of favorable decrees, various tax exemptions and little or no regulation of the market.

### Conclusion

Compared with other “third world” countries, Iraq has a relatively active, educated and articulate workforce. The cumulative effects of wars, sanctions, and the breakdown of the educational system have led to soaring unemployment rates and sharply declining living conditions for salaried workers and wage earners. Social benefits, schooling, and health expenses are beyond the reach of an ever-expanding segment of the population. If neo-liberal principles form the basis of Iraq’s economic policy in the near future, one should expect a highly volatile social and political atmosphere. With the state withdrawing from such traditional fields as the provision of basic health and education services, and the non-existence of alternative civil institutions with the financial and technical capability to provide them at reasonable costs, the most likely candidates to fill that gap will be Islamic groups drawing their funds from competing regional powers. A small-scale version of this scenario is already taking place in Iraqi Kurdistan, into which Saudis and Iranians are pouring money to recruit followers—paying families who show allegiance to their respective calls, building mosques and financing schools and clinics.<sup>17</sup>

The phenomenon just described is a familiar one in other *Mashriq* countries, but would be more dangerous in a country like Iraq because it would tend to reinforce the fragmentation of Iraqi society. It is important to note that Iraq’s fragility in this respect is not, as many orientalist suggest, a sign of a non-integrated Iraq.<sup>18</sup> Instead, it reflects the atomization of Iraqi society without furthering its institutionalization; that is, without the subsequent rise of modern classes and strata that would shift solidarities and interests horizontally, rather than vertically. It is the product of leaving vulnerable sections of the population with their backs to the wall under the rule of savage profiteering capitalism of the *infisah* type. These are precisely the effects of International Monetary Fund (IMF) package deals when the preconditions for a capitalist take-off are not yet ripe.

Alongside the fragmenting effects of “sub-national” loyalties, there is the relatively large urban and educated civilian and military middle class, many of whose members were educated and raised by the Iraqi regime itself under such slogans as



“modernization,” but who turned against the regime for various reasons. This is admittedly a loose stratum that lost much of its social standing because of deteriorating conditions in Iraq. Perhaps the majority of the two million Iraqis that had to leave the country following the second Gulf War belong to it. Those who are still in Iraq live under harsh conditions because their sole employer is the state and its agencies. Nevertheless, this segment of the population is politically more articulate, and has the potential to play a leading role in any post-Saddam environment. But, as historical experience shows, the resentment and frustration of “de-classed” middle strata is likely to evolve into populist, semi-fascist agitation—something that could resemble anything from the post-WWI German experience, to the Zhirinovski phenomenon in post Soviet Russia. In these circumstances, people’s yearning for a better future is manipulated into a nostalgia for the “glorious days” when the state allegedly cared for its citizens. The outbreak of this kind of agitation in Iraq is not implausible, for the theme of “Western hostility to a strong Iraq” enjoys wide currency even among many opposition groups.

Applying Gramscian concepts, Iraq’s societal dilemma, like that of many other “third world” countries that have progressed halfway in their “modernization” drive, is the absence of a hegemonic block: an alliance of interests capable of making a substantial majority of the population adopt, or acquiesce, to its programs, world outlook, norms, and ideals. It is this situation, and not the fashionable orientalist talk about “an artificially juxtaposed Iraq,” that accounts for the problems that this country currently faces. If words like “authentic” or “artificial” have any meaning in today’s world of states, Iraq is no more artificially constructed than, say, Belgium, Switzerland, Syria, and the United States. Nor are the rising demands of non-incorporated ethnic and religious groups in various parts of the world evidence of their “artificial” structures. Rather, pre-capitalist structures of loyalty, although seemingly reviving, have lost their functions, while no new collective organizations have emerged. Free elections would tend to reproduce *status quo* political configurations with modern rubrics that actually reflect sub-national loyalties or populist nationalistic demagoguery.

This is the kind of situation that would have induced a *coup d’etat* during the 1950s and 1960s. However, it is hard to envisage a coherent body of army officers that can apply a carrot-and-stick strategy in today’s Iraq. The state does not offer the lucrative rewards that it did in the past, and it is difficult to imagine methods any more brutal than those inflicted by Saddam Husayn upon the Iraqi population.

Is there any way out of the deadlock? Iraq’s prospects seem grim indeed, but some outcomes might be less bleak than others. The attitude of the international community can play a great role in influencing the course of events in Iraq. It has been customary for optimistic analysts to propose all sorts of Marshall Plans to alleviate the difficulties faced by the countries of, for example, Eastern Europe or the Middle East. In fact, what Iraq needs is not the pumping of hard currency from donor countries, but rather a commitment by international institutions not to impose premature liberalization policies upon Iraq as a precondition to reaching a settlement with its government. The international community must encourage the optimal utilization of Iraq’s abundant resources, and investment in research and development projects. It must pledge to drop all claims for war reparations when and if Iraq’s government promises to abide by all

international norms and obligations and strictly observe the rule of law and human rights standards. Perhaps the first step towards achieving the long-run objective of democratic rule in Iraq would be to accept some interim associational relationship among the various components of Iraqi society. This transitional system may consist of national representation at the center (i.e., a parliament with a strong mandate), coupled with a decentralized municipal arrangement at the level of governorates. This would be sufficient to guarantee respect for cultural diversity, while ensuring the involvement of all citizens in the long and arduous process of building a viable and vibrant civil society.

## Notes

1. Marion Farouk-Sluglett and Peter Sluglett, *Iraq Since 1958: From Revolution to Dictatorship* (London: KPI Limited, 1987) p. xv.
2. Hanna Batatu, *The Old Social Classes and the Revolutionary Movements of Iraq: A Study of Iraq's Old Landed and Commercial Classes and of its Communist Ba'athists and Free Officers* (Princeton, NJ: Princeton University Press, 1978).
3. Hanna Batatu, "State and Capitalism in Iraq: A Comment," *Middle East Report (MERIP)*, no. 142 (September-October 1986) pp. 10-12.
4. To the two above-mentioned studies, which are obviously not an exhaustive list of scholarly works on Iraq, we should add Phebe Marr, *The Modern History of Iraq* (Boulder, CO: Westview Press, 1985).
5. See, for example, Laurie Mylroie, *The Future of Iraq*. Policy Paper no. 24 (Washington, DC: The Washington Institute for Near East Policy).
6. The crudest version of such studies appeared in the 1980s, when the Kurds, a minority which comprises nearly one quarter of the Iraqi population, was regarded as a potential collaborator with Iraq's foreign enemies. See, for example, Christine Moss Helms, *Iraq: Eastern Flank of the Arab World* (Washington, DC: The Brookings Institution, 1984) and Amir Iskandar, *Saddam Hussein: Munadhilan, Mufakkiran wa Insanan* (Paris: Hachette, 1980).
7. See, for example, Abbas Alnasrawi, *The Iraqi Economy: Oil, Development, Wars, Destruction and Prospects, 1950-2010* (Westport, CT: Greenwood Press, 1994); and Sarah Graham-Brown, "The Iraq Sanctions Dilemma: Intervention, Sovereignty and Responsibility," *MERIP*, no. 193 (March-April 1995) pp. 2-12.
8. See the author, *Al Dowla wal Tatawwur al Ra'smali fil 'Iraq, 1968-1978* (Tokyo and Cairo: The United Nations University, 1983); Robert Springborg, "Infitah, Agrarian Transformation and Elite Consolidation in Contemporary Iraq," *Middle East Journal*, 40:1 (1986) pp. 33-52; and Kiren Aziz Chaudhry, "On the Way to Market: Economic Liberalization and Iraq's Invasion of Kuwait," *MERIP*, no. 170 (May-June 1991) pp. 14-23.
9. See the author, *Ra'smaliyyat al Dowla al Wataniyya* (Beirut: Dar Ibn Khaldoun, 1979).
10. *Ibid.*

11. *Ibid.*
12. Batatu, *The Old Social Classes*. p. 1126.
13. Report to the Secretary General on Humanitarian Needs in Iraq by a mission led by Sadruddin Aga Khan, Executive Delegate of the Secretary General (New York: United Nations, 1991).
14. United Nations Economic Commission for West Asia (ECWA), *Survey of Economic and Social Developments in the ECWA Region*. Baghdad, October 1980.
15. *Jam'iyyat al Iqtisadiyyeen* (Baghdad: 1995) p. 66. These ratios should be taken simply as indicators, since one would assume that the value of imported machinery is underestimated because its calculation is based on an overvalued official Iraqi exchange rate.
16. Aziz Alkazaz, "The Distribution of National Income in Iraq, with Particular Reference to the Development of Policies Applied by the State," in Derek Hopwood, Habib Ishow and Thomas Koszinowski (eds.) *Iraq: Power and Society* (Reading: Ithaca Press, 1993).
17. On the recent situation in Kurdistan, see the author, "The Destruction in Iraqi Kurdistan," *MERIP*, no. 201 (October-December) pp. 35-40.
18. See, for example, Philip Robins, "The Middle East: Current Trends-Future Realities," in *The Middle East in the Post Peace Process: The Emerging Regional Order and Its International Implications*, M.E.S. Series, no. 40 (Tokyo: Institute of Developing Economies, 1996). Robins emphasizes the "fractious nature of Iraqi politics," without noting that his "list of causality" (i.e., the tensions between communities, the military putsch, and protracted tensions with neighboring countries) applies to many other countries in the region, as well as elsewhere, without necessarily leading to the same state of affairs.



# War and Sanctions: Cost to Society and Toll on Development

Sarah Graham-Brown

**W**hat has occurred in Iraq since 1990 is a negation of “development,” no matter how one chooses to define the term. Whether relying on standard economic growth indicators or on general observations about the state of the country’s physical infrastructure and human resources, all evidence points in the same direction: since the imposition of sanctions, conditions in Iraq have sharply and steadily declined. However, as this study will demonstrate, the pattern of economic and social change in Iraq over the past two decades increased its vulnerability to economic sanctions. Furthermore, the authoritarian power structures created since the 1970s have crucially shaped the way in which sanctions have affected Iraq’s economy and society. These factors help to explain the complex outcomes of war and sanctions, which have produced longer term changes that were neither anticipated nor intended by those who imposed the sanctions regime.

## **Measurement of Impact**

The Iraqi case is unusual in the severity and duration of international economic sanctions. In the only other previous case of comprehensive UN-mandated economic sanctions (i.e., those imposed on Rhodesia beginning in 1965), the policies of the South African government, which was sympathetic to the regime of Ian Smith, cushioned their impact. The recent sanctions on Serbia and Montenegro were of comparable severity, but of shorter duration than those imposed on Iraq. Furthermore, in the latter case, the effects of economic sanctions, kept in place to enforce post-war ceasefire terms, were compounded by the destructive effects of the 1991 Gulf War and the post-war uprisings. After almost seven years, one is prompted to ask: how has Iraq survived, and at what cost to its people and to its prospects for development?

There are numerous studies of the effectiveness of economic sanctions as a method of coercion applied against governments by members of the international



community. Few works, however, are devoted to understanding and documenting the effects of prolonged economic sanctions on social and economic development, whether or not the policy achieves its coercive goals.<sup>1</sup>

To be meaningful, an assessment of impact must examine more than just national statistics of per capita GDP, infant mortality rates, or output indicators. In order to evaluate the possible long-term impact of sanctions, an assessment must consider less easily measurable factors, such as:

- the pre-existing economic and social order
- the differential impact of economic sanctions on various segments of the population (e.g., according to region, social class, and ethnic or religious affiliation)
- the impact of sanctions not only on basic civilian infrastructure and the health of the population, but also on education and employment structures
- the means by which the power structures within the country are able to adapt and gain new forms of control over the population

The experience of prolonged economic sanctions following a war has also raised questions about what level of civilian suffering is acceptable as the outcome of a form of coercion used as a substitute for armed force. The question is particularly pertinent in the case of Iraq because most of the population has no power to influence either its own government or the international community.

Measuring the impact of sanctions on the population presents difficulties in the case of Iraq. Reliable statistics and information have not always been readily available. Access for independent observers in areas under government control has been limited. Furthermore, information on events and trends within Iraq since 1991 has become a political commodity, used to justify particular policies. To suit their own purposes, both the Iraqi government and its adversaries in the international community have attempted to simplify the outcomes of sanctions. The Iraqi regime has used civilian suffering as a justification to call for the lifting of sanctions, and has blamed all of society's ills on sanctions. Meanwhile, those in the international community who wish to see sanctions remain in place have stressed the political responsibility of the regime for all the outcomes of sanctions, whether foreseen or not. Unfortunately, the suffering of the population and the erosion of the social and economic fabric is not the primary focus of concern of either side in this struggle.

### **The Context for Sanctions**

To understand the impact of war and sanctions on Iraq, it is necessary to review briefly the changes that Iraq's economy and society underwent in the previous period. During the several decades that preceded the Kuwait crisis, the policies adopted by non-Ba'athist and Ba'athist governments, along with the effects of the eight-year conflict with Iran had rendered Iraq vulnerable to the economic sanctions subsequently imposed by the international community.

The massive infusion of oil revenues into the country spurred by the 1973 price rises made Iraq increasingly reliant on selling oil in volume and at sustained prices.

This oil boom, and the dependence on oil export revenues that it spawned, lasted into the early 1980s and had a number of long-term effects on the economy and political structure.

First, the developmental path that Iraq had followed from the 1960s led to urbanization and to the population's growing reliance on the state for basic services. Successive Iraqi governments neglected investment in agriculture, which generally performed poorly relative to other sectors of the economy. Coupled with the growing emphasis on developing industry and services, especially the oil sector, this neglect triggered a massive population drift to Iraq's main cities. By 1990, more than 70 percent of Iraq's population lived in urban areas. The urban sector became reliant on services such as electricity, water and sanitation and communications. The collapse of these services as a result of war and sanctions had a more detrimental impact on the urbanized population than it would have had on a largely rural population.

Second, the country's oil-based development path resulted in Iraq's increasing reliance on foreign imports. During the oil boom, windfall revenues had enabled Iraq to import everything from hi-tech hospital systems and cosmetics to components for chemical weapons and command and control systems. Iraq was very heavily dependent on imported food products. Although, for example, Iraq had been more or less self-sufficient in wheat in the 1960s, wheat imports rose to more than 2 million tonnes per year by the mid-1980s, on average nearly quadrupling domestic production.<sup>2</sup>

Third, as a result of the oil boom, the power of the Iraqi government markedly increased. Besides emerging as the main provider of basic services during a period of rapid urbanization, the roles and prerogatives of the Iraqi government expanded in many other respects. Abbas Al-Nasrawi describes this phenomenon in the following way:

Being the recipient of the largest share of gross national product (ie, oil revenue), the government was in a position to be the largest spender in the economy, the largest employer, employer of last resort, and the arbiter of the distribution of income among groups, classes and regions of the country. In addition to these economic tools, oil revenues enabled the government to employ a variety of coercive and repressive measures to ensure acceptance of its rule.<sup>3</sup>

The Iran-Iraq War also had a major impact on Iraq's economy and society. In the first years of the war, the government continued high levels of spending on social services in an effort to secure the acquiescence of the population. Battlefield losses made this necessary, while rising oil revenues made it possible. For example, a number of new hospitals were built in towns in the south, and water systems in some of the larger cities were improved, though less attention was given to sanitation. To make these improvements, the Iraqi authorities depended heavily on imported technologies.

By the mid-1980s, however, the war had interrupted the flow of Iraqi oil and led to a decline in revenues. The reduction of income altered the regime's priorities. Iraqi authorities continued to allocate huge sums to prosecute the war, but began to cut

social spending. As the Scott Report shows, the Iraqi regime actively sought credits for military purchases during and after the Gulf War. For the period 1988-1992, the Iraqi leadership is believed to have allocated \$5 billion per year to rearmament and \$2.5 billion annually for reconstruction, including “victory” monuments.<sup>4</sup> Most of the funds made available for non-military purposes were devoted to reconstruction projects. This resulted in a slowdown, if not a reversal, of Iraqi living standards, which had risen between the mid-1970s and the early 1980s. The priorities reflected by these spending decisions appear not to have changed.

The sanctions and other interventions by the international community since 1991 have undoubtedly had a significant impact on the Iraqi state, limiting its control of territory and resources. When combined with the damage caused by the Gulf War, they have imposed much greater pressure on the leadership than the difficult situation after the 1980-1988 conflict with Iran. However, Iraq’s authoritarian structures, which international intervention has done nothing to change, have, in many respects, contributed to its survival.

### **The Post-Gulf War Situation**

At the end of the Gulf War, the immediate preoccupation of the Iraqi regime was the restoration of strategic communications and basic services. The coalition bombing campaign had resulted in the loss of electric generating capacity, which in turn had caused the collapse of water, sanitation and irrigation systems. Electricity shortages also adversely affected health care, especially in regard to the refrigeration needed for drugs. The lack of clean drinking water due to electricity shortages caused widespread illness. The government’s decision to assign high priority to restoration of drinking water did not apply to all parts of the country. Basra, for example, whose water system had not been fully restored after the Iran-Iraq War, still does not have a safe water supply. The authorities gave lower priority to restoring sanitation systems, resulting in a high incidence of diarrheal diseases.

Following the Gulf War, the Iraqi government responded as it had after the Iran-Iraq War—with a reconstruction campaign. Once it had crushed the post-Gulf War uprisings, the regime instituted a three-month emergency effort to restore basic services and infrastructure. Although initial repairs occurred at a faster pace than observers had anticipated, Iraqi authorities encountered longer term difficulties. In infrastructure and industry, spare parts were badly needed, but lacking. Since much machinery and infrastructure was in need of major repairs rather than routine maintenance, the restrictions on imports caused by economic sanctions in turn created bottlenecks. After three years, these chronic problems had resulted in drastic declines in the quality of healthcare, water and sanitation systems.

By 1994, aid agencies and the United Nations were reporting increased electricity outages, in addition to problems with spare parts and parts for vehicles, thereby affecting hospitals, water and sanitation facilities. Shortages of spare parts likewise adversely affected agriculture, for which basic inputs of good quality seed, fertilizers and pesticides were also inadequate. Recent reports suggest that health services have been reduced to minimal levels in many parts of the country over the past two years. Because



the health care system had been developed with heavy dependence on Western technologies and Western-trained senior staff, these services had much more difficulty in adapting to sanctions conditions than might otherwise have been the case.<sup>5</sup>

Since 1992, the contribution of international humanitarian aid in government-controlled areas of Iraq has spiralled downward. This is mainly attributable to a decline in donor confidence due to the United Nations' loss of sub-offices and unimpeded access to much of the country following the October 1992 Memorandum of Understanding. Many donors have earmarked funds for the UN humanitarian program in the Kurdish-controlled north, but have allocated far smaller amounts for work in other areas of the country. The World Food Program and UNICEF—the two main UN agencies working in government-controlled areas—have operated on reduced funds and under the constraints of working with the government. After mid-1992, few non-governmental organizations (NGOs) remained in government areas. Even before that, most NGOs had felt that the scale of the problems created by war and sanctions far exceeded their capacities. There has been neither the chance nor the prospect of moving from “firefighting” measures relating to basic health and nutrition towards rehabilitation or development work.

Aid agencies expect the food-for-oil arrangements under the terms of UN Resolution 986 to raise the nutritional level of the population, though nowhere near the pre-1990 level. Combined with increased supplies of medicine and medical equipment, this may improve health conditions to some extent. However, those agencies working in the water and sanitation sector do not expect much improvement in the immediate future.

Because of drastically diminished oil revenues stemming from economic sanctions, the Iraqi state has suffered a drastic reduction of its ability to provide services and an acceptable standard of living for the Iraqi population. It has been unable to exercise monopolistic control of food supplies because of the need to import them, and has partly relied upon private capital sources to do this. Nor has the regime managed to control completely the internal food market, which in any case had fulfilled only about 30 percent of food needs before the war. The government's efforts to encourage greater agricultural production have resulted in relatively meager improvements.

Since 1991, many have warned of impending widespread starvation in Iraq. Although mass starvation has not occurred, clearly the nutritional levels of Iraqis—especially those of women and young children—have sharply declined. Though functioning with far fewer resources, the state has become more, rather than less important to the survival of the population. This stems from the role that the state plays as the primary distributor of goods through the provision of highly subsidized rations—a system introduced after the occupation of Kuwait and subsequent imposition of UN sanctions.

There has been considerable debate about how equitably the Iraqi government has distributed food rations. UN agencies have generally reported the system to be equitable, while human rights and opposition organizations have alleged inequities and exclusions. The UN Special Rapporteur for Human Rights in Iraq concluded in 1996 that the rationing system “has reportedly so far functioned in general terms quite effi-

ciently, [however] the procedure to obtain a 'rationing card' is onerous and often arbitrary and moreover, it is evident that the system is easily susceptible to manipulation for political purposes."<sup>6</sup>

The rationing system also is limited in what it provides. Its food products are low in protein content, consisting mainly of flour, rice, sugar and tea, and baby milk for children under one year of age. Soon after the war, lentils were removed from the list. In September 1994, the monthly allocation per person was cut by about one third. Most families questioned say that the ration only lasts about one-third to one-half of the month, and that they still have to resort to the market to secure the rest of their food and basic goods (at hyper-inflated prices). From 1994 onwards, aid agencies noted a marked decline in overall health and welfare conditions.

The rationing system has served additional purposes for the government. It has provided a mechanism whereby the government can keep track of people and their movements (i.e., there is now a computerized list of all beneficiaries). The rationing system also acts as a medium of control, binding people to the state by the need to subsist. Food rationing acts as an incentive for individuals to conform, and to induce other family members to do likewise, since withdrawal of ration cards affects families as a whole. Furthermore, a person needs a ration card and additional documents to obtain other services. Even the implicit threat of losing access to rations is therefore a form of social control.

### **The Social Impact of Sanctions**

Measurement of the impact of sanctions has for the most part been confined to estimates of the decline in per capita GDP, mortality and morbidity rates, nutritional indices, and descriptions of the decline in basic services. These form part of the picture, and indicate the most acute forms of suffering. However, many other indicators of social dislocation and change exist that are less easy to discern and to measure. This is because access for outside observers is limited, and local people's ability and willingness to speak freely is restricted.

Post-war conditions have undermined the substantial middle class and have reduced living standards to subsistence levels or below for those already poor. The impact is not as dramatic as, for example, in Haiti, which is chronically poor. Yet, the effects are nonetheless serious. Morbidity and mortality rates have risen dramatically, especially for children, and are highest for children from the poorest families. A 1995 UN report indicated that levels of child nutrition, especially among poor families, approximated those of poor African countries, rather than countries in the upper-middle income band of economies with which Iraq had previously been compared.<sup>7</sup>

Sanctions have had a differential impact on Iraqi society. They have widened the gap between those who have managed to maintain their living standards or even profit from the crisis, and the majority of the population who struggle to maintain themselves at or above subsistence level. In regional terms, within the area under government control, the south has experienced the most hardship, having a poorer infrastructure and having suffered more during the two Gulf wars than the center of the country. Although the government has singled out specific groups for privileged treatment in

all parts of the country, the people of the south have fared worse than their counterparts in Baghdad and the regions to the north, from which the regime has mostly derived its support. There have also been increasing indications that the urban poor in all parts of the country, including Baghdad, have suffered greater declines in living standards than those in low-income rural areas. Meanwhile, the salary-earning middle class has largely collapsed into poverty.<sup>8</sup>

A less commonly discussed impact of sanctions is the effect on education. This has several dimensions: the resources available for the state-run education system; changes in the uptake of education; and changes in people's attitudes towards education. Due to a lack of financial resources, many schools, particularly those in rural areas, are in poor condition. There are chronic shortages of paper, books and other school materials. Teachers have reportedly left the profession or have taken additional jobs. Although independent figures are unavailable, the United Nations (probably quoting government figures) has claimed that about 12,000 teachers (mainly women) have left their jobs since 1990.<sup>9</sup>

Family income has progressively eroded as a result of unemployment and low wages, compounded by hyper-inflation. The rising cost of school clothes, transport and school supplies seem to have begun to influence family decisions about keeping children in school. Although low school attendance rates are common among developing countries, this is a new problem for Iraq, where, prior to 1991 school attendance rates were relatively high. Researchers, aid workers and government officials attest to the rising level of school drop-outs—even at primary level where schooling is theoretically compulsory—as the pressure grows for children to seek employment. It appears that many more children than in the past work while attending school.

As a result of these conditions, there is a danger that a generation of children may lose the asset of education and, given the impoverishment of the professional classes, begin to question the value of education altogether. It has become easier to earn a living in Iraq by committing crime or by employment in a trade or manual labor than by working as a professor, doctor, teacher, or even an engineer. Because of extremely low pay, people are leaving these once-highly valued professions, or are forced to take second or third jobs.

For many years before the Gulf War, the regime had relied upon forced relocation of people in order to destroy political opposition, ensure “border security” or manipulate Iraqi society. The most brutal forced relocation program was the Anfal campaign, launched by the regime against the Kurds in 1988. Since 1991, the regime has continued to utilize the practice of forced relocation. Operations against the southern marsh Arabs constitute the most extensive and violent recent example of forced population movement. There are smaller-scale campaigns of this kind in other parts of the country, including the movement of Kurds and Turkomen in the Kirkuk and Mosul regions, and the pressures by the regime upon post-Gulf War migrants to Baghdad from the south to return to their original areas of residence.<sup>10</sup> However, the current situation, in which many people suffer both economic hardship and human rights abuses, has driven increasing numbers of people to leave the country by any means possible. It is those with money, education, initiative and contacts abroad who are most likely to leave.



Here too, there is social differentiation. Generally, it is the poor and those without personal connections who remain behind.

As an authoritarian regime, the Iraqi government has maintained a high level of control over the population. However, the new conditions created by sanctions and international isolation have generated some dynamics of their own. The population is not entirely passive. Individuals and families try as best they can to survive, using whatever means are at their disposal—financial savings, use of the black market, resort to crime, or reliance on family, social, ethnic, or religious affiliations. In its own quest for survival, the regime has attempted to manipulate these ties and client relations to its advantage. This process is undoubtedly creating new dynamics, which are difficult to assess due to lack of information. However, it is likely that, by the time they are lifted, sanctions will have contributed to changes in Iraqi society that will affect the country's long-term economic and political development.

### **The Situation in the Kurdish-Controlled North**

The withdrawal of Iraqi forces and funding from the three northern governorates at the end of 1991 created a Kurdish-controlled region in northern Iraq. This was another unforeseen consequence of post-war international intervention in Iraq. However, after the May 1992 elections, the new Kurdish administration was subject to a number of externally imposed constraints and, as a result, encountered serious economic difficulties.

Despite repeated requests from the Kurdish parliament and administration, the Kurdish-controlled region was not exempted from the terms of UN sanctions against Iraq. International sanctions have limited the possibility of improving or even refurbishing the infrastructure, exploring for oil or rebuilding the few existing local industries.<sup>11</sup> Increasingly, the policies of neighboring states, especially Turkey, have affected the region.

Meanwhile, the "internal" embargo imposed on the northern part of the country by the Iraqi regime from late October 1991 suspended payment of wages, pensions and emoluments of all government employees who remained in the three governorates, and cut off investment and other running costs. The Kurdistan Front, and later the Kurdish administration, had to pay the 165,000 people on the payroll, including teachers and medical staff. For political reasons, Kurdish officials found it impossible to lay off employees, even in overstaffed departments.

All goods imported from government areas were (at least theoretically) removed at the checkpoints along the Iraqi lines. UN humanitarian convoys normally constituted the only exception. Although variable amounts of smuggling continued, generally speaking, large-scale trade ceased. Prior to 1991, the three governorates had served as an agricultural hinterland. Cereal crops had been grown on the plains, while fruit, vegetables and livestock had been raised in the mountains. The few industrial plants—cement, cigarettes, marble quarrying, and small-scale textile factories—had supplied both the local market and other parts of Iraq. The Iraqi embargo cut the region off from its main markets.<sup>12</sup>

In addition, the government began to cut ration allocations to the three governor-

ates. By 1993, government ration deliveries had diminished to less than 10 percent of full supply for the whole area. The Kurdish administration, once it was in control of the whole region, did not provide rations to the population to substitute for those withdrawn by the government of Iraq. The World Food Program has been the main source of food aid since 1991, with a target group of some 750,000 out of an estimated population of 3.5 to 4 million.

Similarly, supplies of oil products from government-controlled areas were drastically reduced in 1992, requiring the UN to import products through Turkey. As of 1993, this particular aspect of the embargo was relaxed in an arrangement whereby kerosene, gas-oil and gasoline were delivered to private Kurdish companies from private Iraqi companies, though the latter were supplied by the state-controlled Military Industrialization Organization. However, the flow of kerosene (used for home heating) remained unreliable.

In August 1993, the Iraqi government cut off electricity supplies to the Dohuk region. The next month, supplies from the national grid to Irbil and Sulaymaniyya were also suspended, though some power was available from local hydro-electric sources. However, because Dohuk governorate had no other source of power, the UN was obliged to import and install temporary generators to maintain water and health services.<sup>13</sup> Turkey provided electricity, but only sporadically. In August 1994, Iraqi authorities cut electricity supplies to the Aqrah area, near the *de facto* Iraqi government lines. Power was not restored to Dohuk and Aqrah until August 1995.

Besides causing electricity shortages, the Iraqi government also exerted pressure on the Kurdish north by altering its currency policies. In May 1993, the Iraqi government withdrew the 25-*dinar* note from circulation, and closed the border for six days. Those in government-controlled areas could exchange the notes for other denominations, but those in the Kurdish region were left with technically valueless notes.<sup>14</sup> A bizarre situation ensued in which the Kurdish-controlled region has continued to trade in dollars and so-called "Swiss" *dinars* (the 25 *dinar* issue which the government withdrew had been printed in Switzerland before the 1991 war), as well as in Turkish lire and Iranian *rials*.

There is no proper banking system and no official currency in the north. The vagaries of trade with neighboring countries, coupled with internal and international political events, caused currency values and prices to fluctuate wildly, and to differ markedly from one area to another, depending on the flow of goods at any given time. However, ironically, the value of the dinar against the dollar—the all important measure—has held up much better than in government-controlled Iraq (i.e., in early 1996 at around ID 50 = \$1 in the north, compared with ID 2000-3000 = \$1 in government-controlled Iraq).

A further advantage for the north was the much greater volume of per capita aid it has received from the United Nations, the US Department of Defense, and other donors supporting international and local Kurdish NGOs. Nevertheless, the overall amount of aid has steadily declined. Aside from the provision of food and fuel and various efforts to sustain basic services, much of the aid effort has gone into rural rehabilitation, focusing on villages destroyed during the Anfal. This has been effective, in that

numbers of communities have resettled in their villages and are able to conduct subsistence agriculture.

With support from aid programs, agriculture has generally revived, first and foremost in the large-scale lowland farms in the south where the main commercial crops are rain-fed winter cereals. Some landowners have sold these crops to the Iraqi government. In the mountains, commercial production has been slower to return because of the revival of small-scale farms stemming from the rebuilding of destroyed villages first produced for their own subsistence. Another problem is that little food processing capacity is available in the north. In the past, food processing had been done in other parts of Iraq.

However, maintaining this rural economy in the future, especially small-scale farming in the mountain valleys, will depend on the attitudes and plans of whatever authority controls the area. This rehabilitation has also affected only a small proportion of the population, and, as in government-controlled areas, it is now the poorer sections of the urban population that are experiencing the most difficult conditions. In the north, these difficulties are compounded by the progressive collapse of financial administration since the conflict between the Patriotic Union of Kurdistan (PUK) and the Kurdistan Democratic Party (KDP) began in 1994. This means that salaries of public employees are paid erratically, if at all. In areas under both parties' control, meager sums are available for public services, while some party officials, tribal leaders and merchants enrich themselves or fund their internecine conflict.

The progressive fragmentation of the region since 1994 has further inhibited rehabilitation. This has hampered the efforts of aid agencies and limited the movement of goods. A sense of insecurity has been endemic since early 1995, when the PUK's capture of Irbil led to the *de facto* partition of Iraqi Kurdistan. This was heightened by events in 1996, when further fighting ensued and Iraqi government forces briefly occupied Irbil in September in support of the KDP. According to the International Committee of the Red Cross (ICRC), about 80,000 people moved from their homes (mostly in Sulaymaniyya governorate) when the KDP took Sulaymaniyya city in September 1996. Of these, about half remained internally displaced, while the rest returned home the next month. When the fighting ended in October (after the PUK had retaken Sulaymaniyya), further large-scale displacements were reported.

## Conclusion

It is difficult to separate the dynamics of political power, both within Iraq and between Iraq and the international community, from the impact of sanctions. Arguably, the nature of the power structure in Iraq, which had been in place for many years before the invasion of Kuwait, made the response of the regime to sanctions predictable. As noted, its highest priorities—to remain in power and to build, or sustain, its military and security capabilities—were evident in the late 1980s. Therefore many of the consequences of sanctions could have been foreseen. However, what was not envisaged was that Saddam Husayn's government would remain in power for so long. Another unforeseen change was the effective separation of the three northern governorates from the rest of Iraq.



The international humanitarian aid program has had a limited impact, particularly in government-controlled areas, partly because of the scale of the problems caused by wars and sanctions, and partly because from early on, UN and NGO access to all parts of the country has been restricted. Neither the UN agencies nor member states have insisted on the restoration of that access. While the implementation of Resolution 986 may ease the most acute nutritional problems and improve medical supplies, there is little chance, at least in the short run, that it will lead to any significant improvement in infrastructure. In socio-economic terms, it certainly will not enable Iraq to recover the ground lost since 1990.

The international community has yet to come to grips with how to assess the impact of prolonged sanctions in a country with an authoritarian regime. Measurement is confined to a few indicators, which, important though they are, do not tell the whole story. Sanctions and relative isolation have led to a sharp deterioration of conditions in Iraq, in economic and social terms. Selective emigration, the demoralization of the population, the decline of the educational system, and the possible devaluation of education could produce long-term social changes in Iraq, though it is hard to predict the form they will take. Crime and lawlessness will be difficult to bring under control, particularly because they are integrally linked with economic gain.

Whatever the effectiveness of sanctions in terms of stated goals—and this is a matter of debate in the case of Iraq—they have proved in this instance to be a very blunt instrument, causing acute short-term, and possibly long-term, damage to the population and to the country's development prospects. While sanctions have curtailed the regime's ability to threaten Iraq's neighbors, they have left it sufficient power internally to redeploy scarce resources to its own advantage.

## Notes

1. Some of these issues have been raised in recent years, for example, in David Cortright and George A. Lopez, *Sanctions: Panacea or Peace Building in a Post-Cold War World* (Boulder, CO: Westview Press, 1995); and Lori F. Damrosch (ed) *Enforcing Restraint: Collective Intervention in Internal Conflicts* (New York: Council on Foreign Relations, 1993).
2. Derek Hopwood, H. Inshow and T. Koszinowski (eds) *Iraq: Power and Society* (Ithaca, NY: Ithaca Press, 1993) pp. 126-27.
3. Abbas Al-Nasrawi, *The Economy of Iraq: Oil Wars, Destruction of Development and Prospects, 1950-2010* (New Haven, CT: Greenwood Press, 1994).
4. Marion Farouk Sluglett and Peter Sluglett, "Iraq Since 1986: The Strengthening of Saddam," *Middle East Report* (November-December 1990) p. 23.
5. The following are some of the main reports which have outlined the impact of sanctions: *United Nations Report to the Secretary-General on Humanitarian Needs in Iraq*, mission led by Sadruddin Agha Khan, Executive Delegate of the Secretary General (July 15, 1991); International Study Team Reports, especially Jean Dreze and Haris Gazdar, *Hunger and Poverty in Iraq*, Development Economics Research

Programme, London School of Economics (September 1991); UN Food and Agriculture Organization, Technical Cooperation Programme, *Evaluation of Food and Nutrition Situation in Iraq: Terminal Statement Prepared for the Government of Iraq* (Rome: 1995); Centre for Economic and Social Rights, *Unsanctioned Suffering: A Human Rights Assessment of UN Sanctions on Iraq* (New York: May 1996).

6. UN General Assembly, Interim Report prepared by Max van der Stoel, Special Rapporteur of the Commission of Human Rights on the situation of human rights in Iraq. 51st Session, October 15, 1996 (A/51/496) p. 16.
7. "Health of Baghdad's Children," *The Lancet*, December 2, 1995. For an earlier assessment of country-wide mortality, see I. Ascherio *et al*, "Effects of of the Gulf War on Infant and Child Mortality in Iraq," *The New England Journal of Medicine*, 327:13 (September 24, 1992).
8. FAO, 1995, *op. cit.*
9. Jonathan Rugman, "Desperate Unity of a Pariah State," *The Guardian*, October 29, 1994.
10. See the reports of the UN Special Rapporteur on Iraq since 1992 for details of forced population movement.
11. David Keen, *The Kurds in Iraq: How Safe is Their Haven Now?* Save the Children Fund (London: June 1993) p. 37.
12. Sarah Graham-Brown, "Intervention and Responsibility: The Iraqi Sanctions Dilemma," *Middle East Report* (March-April 1995) p. 8.
13. "Human Rights Conditions in the Middle East in 1993," Human Rights Watch/Middle East (New York: January 1994) p. 46. See also "Country Reports on Human Rights Practices for 1993-Iraq," US Department of State (Washington, DC: US Government Printing Office, 1994) p. 17.
14. Helena Cook, *The Safe Haven in Northern Iraq: International Responsibility for Iraqi Kurdistan*. Human Rights Centre: University of Essex/Kurdistan Human Rights Project (London: 1995) p. 51; *BBC Summary of World Broadcasts*, May 12, 1993.

# Prospects for Iraq's Oil Industry

Issam A. R. Al-Chalabi

**T**he recovery of Iraq's oil industry and the restoration of its role as a major actor in the global oil market is inextricably tied to the United Nations-mandated sanctions regime. The policy statement on Iraq delivered at Georgetown University in March 1997 by US secretary of state Madeleine Albright clearly indicates that the United States will oppose the lifting of sanctions while Saddam Husayn remains in power. As a result, Iraq's oil future has become directly linked to the regime's survival.

Recently, the regime in Baghdad has sought to use oil as a political tool to end or ease its economic and political isolation. In pursuing this objective, Iraq has mainly targeted the Gulf War coalition and UN Security Council members, although it has courted other countries as well. Naturally, assessing the prospects for Iraq's re-emergence as a major oil exporter requires an analysis of the present conditions of Iraq's oil industry and the current content of its oil policy. However, it also necessitates close attention to the interplay between oil and politics, both at the domestic and international levels. In the case of Iraq, neither the oil-politics nexus, nor, more specifically, the government's practice of using oil as a political instrument, is new. As this study will show, politics has been, and will continue to be, the determining factor in Iraq's oil policy.

## **Recent Developments in Iraq's Oil Policy**

In March 1996, Iraq awarded a production sharing contract for the development of the second phase of the West Qurna oil field to a Russian consortium. This agreement, signed during a visit to Baghdad by the head of Russia's Fuels and Energy Ministry, was the culmination of four years of negotiations. Iraq and Russia also concluded agreements that covered work on the first phase of development of the same field—a project that was suspended shortly before the outbreak of the Gulf War.

At the time these new agreements were signed, statements were made that work on the West Qurna field would begin immediately, that is, while sanctions remained in effect. Subsequently, these statements were amended; assurances were provided that the Russian consortium would neither supply equipment nor begin construction, and thus conform to the sanctions restrictions. Nevertheless, one can envisage significant



progress on the project occurring within the strictures of the sanctions regime. A project of such great size and complexity requires considerable planning, design and procurement work. Iraqi public or private companies could carry out these tasks, in addition to a good portion of civil engineering work, before undertaking construction. Completing this preliminary work could take as long as two years. In this way, Iraq and its Russian partners can set the project in motion, while awaiting the removal of sanctions or a weakening of adherence to them.

The lead-time advantage gained by the Russian consortium is available to other firms that are prepared to enter similar agreements with Iraq. In fact, foreign oil companies, as well as engineering and construction firms, view the Iraqi-Russian agreement as an important precedent. Yet, notwithstanding its scale and notoriety, the West Qurna project is just one example of the Iraqi government's extensive efforts to overcome international sanctions and ensure its political survival.

The Iraqi-Russian deal is an example of, not an exception to, Iraqi oil diplomacy. Since early 1995, Iraq has vigorously pursued negotiations with over 40 firms from 25 countries (see Table 1). As already mentioned, Iraq has devoted special attention to forging oil deals with firms headquartered in politically influential countries. Iraq distributed the limited oil sales under the UN Resolution 687 "oil-for-food" arrangement with due political consideration. In April 1997, an Iraqi ministerial delegation visited Italy to discuss a production sharing agreement for the 250,000 b/d Nassyriah oil field. Coinciding with the visit, the Italian Senate called for the easing and gradual lifting of UN sanctions. The next month, Iraqi officials visited Beijing, where Chinese foreign minister Qian Qichen declared China's support for the gradual removal of sanctions. Not coincidentally, only nine months earlier, Iraq and the China National Petroleum Company had signed the first-ever production-sharing agreement for the development of the 100,000 b/d al-Ahdab oil field. Also in May 1997, Iraq signed a gas pipeline construction contract with Turkey. Iraq, along with the French firms, Elf and Total, seem to be awaiting a politically opportune moment to finalize an oil production-sharing agreement to develop the Majnoon and Nahr Umr fields, which have a production capacity of over 1 million b/d.

Production sharing is a distinctive feature of the oil contracts which Iraq has recently pursued or concluded with foreign firms. In a March 1995 energy seminar held in Baghdad, which representatives of numerous foreign oil companies (with the exception of US firms) attended, Iraqi officials explicitly declared their willingness to open the country's oil industry to foreign equity participation. To many observers, this initiative seemed to constitute a sudden shift in Iraq's oil policy. This is because Iraq had long followed a policy of "direct exploitation" whereby the country's oil wealth was developed chiefly by national companies, with foreign entities serving merely as contractors for work of limited scope and duration. This view of Iraq's oil policy is accurate in the sense that there have always been, and there will continue to be, those in Iraq who advocate minimizing dependence upon foreign (especially equity) participation. Yet, as subsequent sections will show, mainly for political reasons, foreign involvement in Iraq's oil industry has been, and will remain, extensive in practice.

**Table 1**  
**Fields designated to be developed jointly with foreign companies**

Fields	Production rate (thousand barrels per day [b/d])
Majoon	600
West Qurna (second stage)	600
bin-Umar	440
Nassyriah	250
Halfaya	200
Ratawi	200
Gharaf	100
al-Ahdab	90
Tuba	80
Rafidain	75
Total	2635

### **Iraq's Oil Policy in Historical Context**

Iraq's oil diplomacy, and adjustments of policy, occur in the uncommon circumstances of the country's subjection to international sanctions. However, the manipulation of oil policy by Iraq's government to serve a political objective is, in historical context, not an aberration. Earlier in its tenure, the Husayn regime, like its predecessors, conditioned oil policy on political considerations. In fact, all major Iraqi oil projects—those that were implemented and those that were not—were influenced more by political, than by economic factors.

Indeed, throughout the twentieth century, politics have decisively shaped the development of Iraq's oil industry. Following World War I, the Turkish Petroleum Company, established under German influence, was dissolved. The victorious allies, France and Great Britain, divided and swapped the company's holdings in the interest of asserting their political and economic dominance over the region. France, for example, ceded control of Mosul to Britain in exchange for Syria, but only after securing a share of any future oil production from the area.

The Red Line Agreement, reached on July 1, 1928 (i.e., three years after oil was discovered in Iraq), resulted in the formation of the Iraq Petroleum Company (IPC). This agreement apportioned four equal shares (of 23.5 percent each) of the new company to Shell Petroleum, British Petroleum, CFP of France, and the Near Eastern Development Corporation (owned by Standard Oil of New Jersey, Exxon and Mobil). The remaining 5 percent ownership was allocated to the Armenian firm, Golbenkian.

During the next several decades, the terms of these oil concessions were remained in force, although they were periodically modified.

Until the fall of the monarchy and the establishment of the Republic of Iraq in 1958, the international oil companies possessed full authority to determine oil prices as well as the levels of development, production and export. Iraq's government merely received fixed sums of money or, after 1952, a percentage of the profits. Among the initiatives taken by the Iraqi republican regime was the signing of a series of agreements with the Soviet Union, including one for cooperation in oil development. Thus, the exploitation of Iraq's oil wealth once again became entwined with the country's domestic political struggles and foreign relations.

Throughout the 1960s, Iraq's oil policy stemmed chiefly from political calculations. In 1961, the Qassim regime proclaimed Law 80, which mandated the seizure of all lands not actually exploited by the oil companies. Oil policy was at the forefront of the first Ba'ath Party's agenda; during its brief nine-month tenure in 1963, this government laid the foundation for the establishment of the Iraq National Oil Company (INOC) the next year. As the 1960s progressed, political wrangling over oil policy continued. There were numerous attempts to undermine INOC, re-negotiate Law 80, and establish a joint company with foreign oil firms. In 1968, when the Ba'athists returned to power, party officials cited oil policy as a main reason for ousting the (mostly military) leaders with whom they had briefly shared power.

The Ba'ath Party's consolidation of power, and Saddam Husayn's emergence as the key figure within the Ba'athist leadership, heralded important changes in Iraq's oil policy. Between 1968 and 1969, the Iraqi government began to implement its declared policy of "direct exploitation" by entering into a number of agreements with the Soviet Union, Hungary, France, and others. These initiatives triggered major confrontations with the international oil companies which, up to that time, had exercised authority over the country's oil development. In 1970, Saddam Husayn gained complete control of oil policy by presiding over the Follow-Up Committee for Oil Affairs. From that point on, Iraq's oil policy was tied to two essentially political struggles: the Iraqi government's efforts to secure and maintain control over the country's oil wealth, and Saddam's efforts to achieve and retain political paramountcy by personally supervising all aspects of Iraq's oil development.

In June 1972, Iraq announced the nationalization of IPC. After only nine months of negotiations, Iraq reached a settlement with the international oil companies that included the Mosul Petroleum Company. Thereafter, Iraq entered a new phase in the development of its oil industry. This began with a crash program of major projects that included the development of oil fields, the construction of oil and gas pipelines for both domestic and export purposes (e.g., the Iraq-Turkey line), the building of oil terminals (e.g., Al-Bakr in the Gulf and Ceyhan on the Mediterranean), and the expansion of the refining, gas and petrochemical industries to serve the domestic as well as export markets. Meanwhile, Iraq pursued, and by 1975, achieved, nationalization of its entire oil industry.

Whereas Iraq's oil policy in the 1970s was guided by the principles of direct exploitation, the government, for both political and economic reasons, followed a paral-



lel path based on the principles of service contracts. Iraq struck a deal with France to develop the Buzurgan and Abu Gharab oil fields adjacent to the Iranian border. By 1979, under the terms of this agreement, oil was developed and exported from these fields. Iraq later renegotiated the contract with the French, and provided them with financial compensation. Similar to the original agreement concluded with France, Iraq signed a contract with the Brazilian firm, Petrobras, to develop the Majnoon oil field. As in the French deal, however, Iraq decided not to proceed with the project and reached a settlement with Petrobras for compensation. An agreement with India's ONGC for work on a block adjacent to the Kuwaiti border met a similar fate. Though oil was discovered, the amount did not match the figure stipulated in the contract, causing ONGC to abandon the field.

There are numerous other examples of tenders for service contracts issued by Iraq in 1973 and 1974. In most cases, Iraq's Follow-up Committee suspended negotiations just before finalizing the deals, without offering much of an explanation. Although it did not revive the idea of foreign participation until the 1990s, the Iraqi government nonetheless succeeded in executing its program of oil field development. In 1978-79, Iraq proceeded to develop five major oil fields: Majnoon, Nahar Umr, West Qurna, Halfaya, and East Baghdad. Necessary studies and tender documents were carefully prepared. Based mainly on political considerations, the program was carried out on a turn-key basis, with the distribution of contracts as follows:

*West Qurna: Soviet Union* This was an extension of the Soviet Union's involvement in the adjacent Rumaila field. In late 1981, Iraq signed a drilling contract. In 1988, Iraq entered a supply and first phase construction contract. The 1997 agreement between Iraq and the Russian consortium constitutes a larger scale version of the earlier deal, covering the whole field and conducted according to production sharing principles.

*East Baghdad: France* This field is located in the "greater Baghdad" area. Development of the East Baghdad field formed part of a policy to widen the geographical ambit of oil production distribution within Iraq. The decision to proceed with development of this field was taken despite the complexity and relatively high cost of the project. Iraq installed a pilot plant for 20,000 b/d, and production of heavy oil began in late 1989. Iraq's recent negotiations with French firms regarding development of the giant Majnoon and Nahr Umr oil fields are indicative of the current regime's intention to offer France highly favorable treatment.

*Halfaya: Italy* In 1980, Italian firms were involved in preparing all of the studies and tender documents associated with the Halfaya oil field. Because the Italians had expressed a strong interest in Halfaya, the shift in their attention to the Nassyriah field in 1993 and afterwards came as a surprise.

*Majnoon and Nahar Umr: Brazil and Others* Brazilian firms prepared the tender documents for these fields. Although Iraq contacted companies from several other countries as well, including American firms, there were no preconceived ideas about the awarding of contracts.

### **Iraq's Oil Policy and the Iraq-Iran War**

The outbreak of the Iran-Iraq War in September 1980 put an end to Iraq's ambitious oil development programs. As the conflict drew to a close, Iraqi oil policy underwent two major adjustments. First, the repair of war-damaged oil export installations in the Gulf, refineries, depots, and other oil and gas facilities became a high priority. Second, the experiences of the war led to a search for additional pipeline routes and export terminals to mitigate Iraq's strategic vulnerability. Politics played a major, if not exclusive, role in Iraq's selection of projects to meet these objectives.

Among these projects, Iraq concluded an agreement with Turkey for construction of a second oil pipeline. The first pipeline agreement had been signed in 1973, and work on the project had been completed four years later. Iraq had undertaken the first project in retaliation against Syria. Iraq acceded to Turkey's wish for a second pipeline link (which began operation in 1987) mainly to improve the overall climate of bilateral relations.

Iraq also sought a pipeline link through Saudi Arabia. After the war with Iran began, the Iraqi government contemplated a number of export pipeline routes. An idea for a pipeline via Jordan to Aqaba was initially considered, but eventually abandoned due to the Israeli factor. Iraq also offered a variety of suggestions for a pipeline via Kuwait; however, Iraq's interest was not reciprocated. Another idea that did not materialize was to build a pipeline through the Gulf countries to bypass the Strait of Hormuz. A plan that did materialize was the construction of a pipeline through Saudi Arabia to the Red Sea. The Saudis were unwilling to provide financial support for the project, though they agreed to offer a free right-of-way and not charge royalties or transit fees. As a result, Iraq financed the pipeline on its own, and arranged with ARAMCO to serve as the sole operator. The pipeline was completed in two phases, the first in 1985, and the second in January 1990.

During the Iran-Iraq War, therefore, Iraq clearly paid a high price for the sake of its political relations, especially its relations with neighboring countries. All major oil projects, including their locations and routes were subject to political as well as military considerations. When the war with Iran ended, Iraq's oil industry had to provide the maximum attainable revenues. The industry was pressed to its limit. In late 1989, Saddam Husayn asked the Ministry of Oil to prepare for the expansion of production capacity to between 6 and 8 million b/d. Saddam also instructed the ministry to identify potential external sources of financing for this expansion, since the budget was severely strained. At the time of these requests, Iraq's sustainable oil production capacity was 3.8 million b/d. Factoring in the oil development plans already being implemented (e.g., the first phase of the West Qurna field as well as smaller fields like Hamreen, Saddam, Luhais, and the fourth pay zone of Rumaila), Iraq's production capacity was expected to rise to 4.2 million b/d by 1991-92.

The Ministry of Oil recommended that, in pursuing the first phase of production capacity expansion, Iraq should follow the general practices adopted in the early 1980s. Accordingly, the ministry proposed that Iraq avoid foreign involvement, except for employing contractors on a turn-key, supplier, or similar basis. While generally fol-

lowing these recommendations, the Iraqi government has offered some contractors payment in the form of crude oil once the project starts production. As the goal for the second phase, the Ministry proposed a figure of a sustainable 5.5 million b/d (or a maximum of 6.0 million b/d) by 1995-96, but did not advocate that Iraq award service contracts, E & P, or production sharing contracts. Approved and announced in February 1990, the plan contained these seven key elements:

1. The plan authorized contracts with a foreign company (or group of companies) to carry out the complete development of particular appraised oil fields. Such contracts would include the installation of the required surface facilities and/or the drilling of wells.
2. The plan stipulated that said company (or group of companies) will provide the necessary hard currency to finance the project, while the Iraqi side will meet the local currency requirements.
3. The plan indicated that projects in question do not include any new terminals or crude oil export facilities, as these are already available within the scope of existing projects.
4. The plan stated that the costs of the project undertaken by the company (or group of companies) will be repaid in the form of crude oil production from the same field developed by the company (or group of companies) concerned, starting immediately after that field comes on-stream.
5. Pursuant to paragraph 4 above, the plan also stipulated that contracts will be concluded between the Ministry of Oil and the company (or group of companies) for the supply of additional quantities of crude oil for a number of years at commercial prices to be agreed upon between the two parties.
6. Under the plan, details about methods of project implementation and repayment in crude oil, as well as provisions governing the contract's implementation, will be subject to negotiation between the Ministry of Oil and the company (or group of companies) concerned.
7. Finally, the plan expressly states that this type of contract with foreign companies shall in no way entitle the companies to any rights to the crude oil. Hence, this type of contract is different from service or participation contracts or similar agreements (see Table 2).

Although foreign oil companies generally welcomed this plan, they nonetheless expressed a desire for additional work that involved exploration risk and equity arrangements. Iraq was reluctant to accede to these demands, though the plan stalled for other reasons; namely, the invasion of Kuwait and the consequences arising from it.

### **The Status of Iraq's Oil Industry**

By the time of Iraq's invasion of Kuwait, nearly all of the damage sustained by Iraq's oil industry during the eight-year conflict with Iran had been repaired. By August 1990, Iraq's oil and gas installations, particularly its upstream facilities, were operating at almost normal conditions. Meanwhile, new upstream and downstream projects



**Table 2****Extra fields designated for the national effort not included in the current 3.5 million b/d plan**

Fields	API of oil	Production rate (thousand b/d)	Capital cost of investment (million \$)
Galabat, Qamar, Qara, Choq, Khashm al-Ahmar	39-48	120	500
Qayara, Najma, Jawan, Qasab	10-20	170	500
East Baghdad, Balad	16-25	120	800
South Rumaila-Upper Shale-Mishrif	28-32	230	850
North Rumaila-Mishrif	26	160	750
Zubair-Mishrif	27	60	150
Luhais, Suba	27	80	200
North Rumaila CG6	23	60	250
Total		1,000	4,000

were being initiated or completed. To illustrate, the capacities of various aspects of Iraq's oil industry at that time were as follows:

- Oil production in the amount of 3.8 million b/d, with projects to raise capacity to 4.2 million b/d under various stages of implementation.
- Actual total crude oil export capacity of over 5 million b/d that was soon to be increased to more than 6 million b/d, divided as follows: 1.65 million b/d through Turkey; 1.65 million b/d through Saudi Arabia; and 1.6 million b/d through the Gulf (with a program to raise it to 2.4 million b/d).
- Refining capacity of over 700,000 b/d.
- Lube oil production capacity of 470,000 b/d.
- LPG (propane, butane, and natural gasoline) for export in the amount of 4.5 million tons per year (t/y).

Yet, within six weeks of the outbreak of the Gulf War, Iraq's oil industry experienced more extensive damage than it had suffered during the eight-year conflict with Iran. The sanctions imposed on Iraq since August 1990 have compounded this damage. Any plan to restore the condition and capacity of Iraq's oil industry must include provision for:

- The completion of detailed and comprehensive reservoir studies, especially for those fields subjected for some years to reinjection of various types of hydrocarbons.
- The overhaul of possibly all oil and water wells.
- The rehabilitation of water injection facilities, particularly those in the south.
- Proper maintenance of all degassing and processing facilities.
- Repair of storage, transportation and export facilities at all outlets.
- Major work on all downstream facilities, which are currently running at low output and poor quality levels.
- Filling shortages of materials, chemicals and spare parts. (Efforts to deal with this problem during the past seven years have included cannibalization of some facilities.)
- Rebuilding a well-trained local workforce, depleted by emigration.

Clearly, the recovery of Iraq's oil industry will require a massive effort, involving local and foreign participation and financing. It is difficult to estimate the time frame and financing requirements necessary to accomplish this task since no detailed survey or inspection has been carried out by independent specialists. Assuming an optimally favorable environment—the absence of political, logistical, or financial constraints—the recovery of Iraq's oil industry is likely to require at least \$5 billion over a two-to-three-year period.

### **Future Outlook**

Iraq possesses the world's second largest proven oil reserves, after Saudi Arabia. Combined, these two countries hold 37 percent, possibly more, of global oil reserves. In July 1990, Iraq's oil ministry concluded detailed geological and reservoir studies which revealed an increase in the country's proven reserves, from 100 to 106 billion barrels. In 1992-93, Iraq announced a new estimate of its proven reserves, 112 billion barrels. Many experts regard these as conservative figures; some place Iraq's reserves as high as 300 billion, and possibly as high as 430 billion barrels. Any improvement in Iraq's production processes and techniques would result in sharp increases in the recovery rates for most of Iraq's oil fields, whatever the actual size of its proven reserves.

Many super-giant, giant, and smaller Iraqi oil fields still await development. Of the 73 discovered oil fields in Iraq, only 15 have been developed (with estimated reserves of just 54 billion barrels). Three of the 58 discovered-yet-undeveloped fields contain 33 billion barrels; nine others contain 17 billion barrels. The western desert and northeastern part of the country, for example, contain far better prospects than many other places in the Middle East. In fact the exploration success ratio during the past three decades has been over 70 percent. An additional attractive feature of Iraqi oil is that it is available in various types: 7°iO light (3Hi) API, 27 percent regular (34-37) API, 18 percent medium (27-33) API, 43 percent heavy (20-26) API, and 5°iO very heavy (20-) API.

No matter what political changes take place in Iraq in the immediate or distant future, oil will remain the only source of revenue capable of meeting the country's

ever-increasing needs. Economic recovery should certainly be the highest priority of any government in Iraq, for without it, political stability in the country and in the region will remain at risk. To achieve this recovery, it is urgently necessary to repair, maintain, upgrade and expand the Iraqi oil industry. Any government in Iraq will be required to devote the utmost attention to plans to restore (to their pre-August 1990) capacities oil production, processing, storage, transportation, and export, as well as the refining, petrochemical and gas industries. Concurrently, the Iraqi government will be obliged to undertake efforts to develop the oil industry in phases, with emphasis on fast-generating revenue upstream projects, both in the oil and gas sectors.

One approach to the recovery of Iraq's oil industry might be a plan, implemented in stages, that relies on local as well as foreign resources. This plan would aim to ensure the gradual increase of both production and export capacities, covering oil, gas, and oil products. Regarding the upstream industry, a three-stage plan could be designed (with considerable overlap between stages to ensure quick results) as follows:

*STAGE 1:* The main objective of the first stage would be the restoration of capacity to 3.8, and then 4.2 million b/d. In this stage, work would concentrate on complete overhaul of the reservoir and surface facilities. This should include the rehabilitation and provision of necessary transportation and export facilities required for the other two stages (to the extent possible).

*STAGE 2:* The goal of the second stage would be to raise capacity to a sustainable 5 million b/d. This would be accomplished by the development of new fields, with emphasis on fields and schemes that could ensure quick results. It is likely that foreign companies which had previously been involved in this activity would be able to produce these results. In order to attract foreign participation, it may be necessary for Iraq to rely on schemes that offer some kind of equity holding or production sharing. The question remains whether Iraq will be able to manage the large number of contracts and activities required to meet its goals.

*STAGE 3:* The aim of the third stage would be to increase production capacity to about 5.5 million b/d. This could be achieved by development of blocks in the western desert as well as those smaller fields in the northeast and other parts of the country, possibly in conjunction with schemes related to Stage 2.

As mentioned earlier, in a politically and financially conducive environment, the above plan could be implemented within a period of five years. Investment requirements for the three stages and for a sustainable capacity of about 5.5 million b/d would be no less than \$30 billion and could be as high as \$50 billion. Moreover, as in the past, political considerations are likely to prevail in determining the features of any new oil policy.

## **Conclusion**

It is impossible to predict when sanctions against Iraq will be eased or lifted. It is also impossible to forecast who will emerge as Saddam Husayn's successor, and what kind of regime his replacement will institute. Nevertheless, the historical record pro-



vides some clues with which to assess the importance of oil in Iraq's future and to anticipate the basic form that Iraq's future oil policy will take.

As this study has shown, Iraq possesses vast quantities of proven oil reserves. Historically, oil export revenues have been the lifeblood of Iraq's economy. Moreover, political calculations have always figured prominently in the formulation of Iraq's oil policy. Given the toll that war and sanctions have exacted upon Iraq, oil will be, if anything, more important to the country's economy than in the past. Meanwhile, there is little to suggest that politics will be any less important in guiding Iraq's future oil policy. Past practice indicates that, if political considerations require, the principles which form the underpinning of Iraq's oil policy are likely to be applied liberally and selectively.

The current regime's recent efforts to sign basic contracts with foreign oil companies is intended to induce the easing or breaking of sanctions, or at least put Iraq in the position to achieve rapid results when they are lifted. These contracts, including the favorable terms offered to foreign firms, is reminiscent of Iraq's practices during the brief period between the 1988 Iran-Iraq cease-fire and the outbreak of the 1991 Gulf War. They represent a continuation of the pattern whereby Iraq's oil policy is tied to both the country's changing international political fortunes and the regime's struggle to remain in power. In important but unforeseeable ways, politics will surely shape oil policy in post-Saddam Iraq.

# Prospects for Iraq's Economy: Facing the New Reality

Sinan Al-Shabibi

Iraq's natural and human resource endowments compare favorably with those of its immediate neighbors and the Arab world. Iraq possesses the world's second largest petroleum reserves, an enormous agricultural potential, and an educated population. Had this potential been harnessed, Iraq would be a relatively advanced country. Instead, internal conflicts, wars, international sanctions, as well as inappropriate development strategies and economic policies have prevented this from occurring.

The fulfillment of Iraq's potential requires not only political and social stability, but also financial resources comparable to the levels available in the 1970s. However, it is unlikely that Iraq will enjoy the windfall oil profits that produced these financial resources in the past. The primary purpose of this paper is to examine the prospects for Iraq's economy. This paper also has two important secondary objectives: first, to explain why, during the 1970s and 1980s, Iraq failed to capitalize on the ready availability of financial resources; and second, to identify the consequences of that failure.

## **The Road to the Collapse of Iraq's Economy**

In 1973-1974, Iraq, like the other oil exporters, benefited from sharp oil price increases. In that brief period, Iraq's oil revenues almost quadrupled, rising from \$1.8 billion to \$6.5 billion. This encouraged Iraq's authorities to embark on a huge development program, referred to as "explosive development." This strategy implicitly assumed that the chief constraint on Iraq's development was financial.

Rising oil export revenues relaxed this financial constraint. Nevertheless, Iraq's economy failed to perform well, due mainly to the economy's limited absorptive capacity. This limitation was accentuated by inadequate complementary factors such as labor and managerial skills, as well as by Iraq's undeveloped infrastructure and slug-

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*The author is a staff member of the UNCTAD secretariat. The views expressed here are his own and do not necessarily reflect the opinion of UNCTAD.*

gish bureaucratic procedures (especially in the public sector, which was then dominant).

Inappropriate economic policies exacerbated this situation. Labor policies remained inflexible, both in terms of wage levels and labor movement. Wage levels, particularly in the public sector, remained low. This adversely affected the productivity and the degree of absorption in that sector. Although the private sector awarded higher wages, most public sector employees were unable to move to it. As a result, the gap between the two sectors in terms of wages and productivity remained wide. While the determination of wage levels is basically a labor policy, it also forms an important part of fiscal policy. In this respect, it is important to note that the government's investment and consumption program did not produce higher public sector wages. Thus, although Iraq's fiscal policy aimed at increased expenditures, by maintaining low wage levels, it failed to award incentives to raise productivity.

While labor movement between the public and private sector was difficult, movement from the countryside to the cities was not. In terms of the national economy, this mobility led to a shift in emphasis from the agricultural sector to the construction, services and military sectors. This shift favored the non-tradable sector, thus depriving the agricultural sector of absorptive capacity for investment by creating a labor shortage.

Nor were exchange rate policies conducive to agricultural expansion, and thus to an increase in the absorptive capacity for investment. The petroleum-dominated exchange rate was overvalued for the non-petroleum tradable sector. This adversely affected agricultural output, but nonetheless facilitated food imports to meet the demands of the growing urban population.

Interest rate policy, in effect, discouraged people from depositing their savings in domestic financial institutions. Domestic absorption therefore took the form of domestic consumption. Shortages in the supply of goods and services led to inflationary pressures. Private investment, normally encouraged by low interest rates, did not increase to the degree needed to influence absorptive capacity. In addition, ideological considerations prevented the country from investing abroad, which further limited the outlets for funds. Finally, despite the fact that Iraq was awash in money, Iraqi authorities often imposed travel bans.

Meanwhile, between 1975 and 1980, Iraq's military spending rose dramatically. In fact, military expenditures increased from \$3.1 billion in 1975 to \$20 billion in 1980, representing 22.5 percent and 39 percent of GDP, respectively. The availability of labor facilitated this high absorptive capacity. The ratio of labor in the military sector to the total labor force increased from 2.9 percent in 1975 to 13.4 percent in 1980. During the same period, military imports rose fivefold, while non-military imports rose only threefold in value. In policy terms, therefore, military expenditures received high priority, and did not seem to suffer from any absorptive capacity constraint.

By the time of the outbreak of the Iran-Iraq War, as a result of limited civilian spending (especially capital spending) and limited spending outlets, Iraq's economy had acquired a number of important characteristics. These included large financial



reserves (i.e., \$37 billion in 1980) and a high degree of militarization. There was also a relatively rapid development of infrastructure, especially the construction and transport sectors.

These characteristics tended to generate a perception among Iraqi policy makers that the economy was strong and resilient. Yet, this thinking was unjustified in at least two respects. First, as mentioned, the accumulation of vast financial reserves was attributable to limited domestic absorption, accompanied by the low implementation rate of development projects. Furthermore, this accumulation did not result from productive activity. Rather, it was a financial phenomenon that stemmed from successive increases in the price of oil in the 1970s.

In other words, the financial reserves were obtained and accumulated *before* the process of development had begun. The state allocated, rather than mobilized, resources. In turn, the nature and orientation of the state's allocations had important implications for Iraq's development performance. Iraqi authorities dedicated a huge portion of the financial resources at its disposal to unproductive activity (i.e., to the military sector). In this respect, Iraq and the rest of the oil producers are different from East Asian countries, where the mobilization of resources stemmed from successful development performance.

Second, although Iraq built a large military industry, it continued to be one of the world's leading arms importers. The military industry did not have substantial linkages with the rest of the economy, except in the generation of demand for labor, which was probably needed much more in the civilian sector. The military sector remained labor-intensive, making a minimal technological contribution to the economy. While the evaluation of the performance of the military sector admittedly needs further detailed investigation, the establishment of a military industry must be based on a developed manufacturing and electronics sector in the civilian economy. In the final analysis, the Iraqi military sector turned out to be a labor-intensive importing sector in terms of both its intermediate and final goods.

Clearly, the developments described above do not indicate that Iraq possessed a strong and resilient economy, as Iraqi policy makers had believed. In fact, by 1980, Iraq's economy had already shown these signs of serious weakness and vulnerability:

- *Heavy import dependence.* This was true for the major sectors in the economy. Iraq imported about three-quarters of its food requirements. The manufacturing sector imported most of its inputs. Furthermore, due to the poor performance of the latter, Iraq became a major importer of manufactures, especially consumption goods. The intensive import content of the military sector aggravated Iraq's import dependence.
- *Poor performance of state enterprises.* For the most part, these enterprises operated at a loss. Increasingly, they depended on the state budget to generate positive value added.
- *Increasing oil dependence.* The oil sector was the only one which was able to generate its own financial resources. The performance of the construction sector was satisfactory, but construction activity remained indirectly dependent on oil revenues, which determined the contracts awarded to local and foreign companies.

- *Dependence on foreign oil export outlets.* Vast quantities of Iraq's oil exports traveled through pipelines that traversed the territory of its neighbors. The volume of oil routed through neighboring countries was almost 3.2 million b/d.<sup>1</sup>

A country possessing these characteristics can ill afford to go to war. In 1980, Iraq's economy was vulnerable to any external shock, let alone war. Iraq lacked the ability to compensate for a loss of oil revenue. Nevertheless, a protracted and debilitating war between Iraq and Iran erupted.

### **The Iran-Iraq War: Genesis of the New Reality**

Iraq's oil sector was the main casualty of the damage to the economy inflicted by the war with Iran. Besides the physical destruction caused by the war,<sup>2</sup> the oil sector lost its war-financing capacity. Between 1980 and 1981, oil exports declined from \$26 billion to \$10 billion, while civilian and military imports rose from \$8.7 billion to about \$21 billion. Iraq's struggle to finance the war, including the problems it generated or worsened, is captured in this sequence of developments:

- *The government resorted to its stock of financial reserves.* In 1980, Iraq's reserves were estimated to be about \$36.5 billion. Within the first two years of the war, due to successive current account deficits, Iraq's reserves shrank to almost \$14 billion.<sup>3</sup> Although this decline stemmed partly from financing the war, the decision by Iraqi authorities to increase civilian imports, hoping to cushion the effect of the war on the population, was an important contributing factor. At the outset of the Iran-Iraq conflict, therefore, the government tried to use its own resources to finance the war.
- *The government's options to finance the war began to narrow.* To compensate for decreasing oil exports and financial reserves, the government turned to external sources of financing. Interest-free loans extended by Arab Gulf states amounted to about \$40 billion. More or less, this constituted the beginning of Iraq's debt problem. Iraq also obtained loans from European governments, totaling about \$46 billion.<sup>4</sup>
- *Iraq began to develop a credit-worthiness problem.* Nearly 75 percent of Iraq's oil export earnings, which stagnated because of war damage and the 1982 closure of the Iraq-Syrian pipeline, was spent on military imports. As external finance dried up, Iraq's government turned to the private sector to finance the war. The government allowed the private sector to use its own externally held resources to import civilian goods. The aim of this policy was to encourage the repatriation of Iraqi capital in the form of goods. However, the shortage of goods persisted, and attracting externally held capital to Iraq proved difficult. As a result, the *dinar* was smuggled to neighboring countries in exchange for US dollars. This led to the depreciation of Iraq's currency and, ironically, to the increased use of the *dinar* for imports. While the parallel exchange rate of the Iraqi *dinar* depreciated, the government continued to import military goods using the official exchange rate. This meant that the government was subsidizing the importation of those goods.

The government's recourse to the private sector also took another form. In the latter 1980s, in the absence of an effective tax system, Iraqi authorities instituted a privatization program in order to draw additional resources from the private sector. Because of the pressing need for resources, the privatization program was not implemented on the basis of proper evaluations of the enterprises sold, and the sale itself was not made to an authentic private sector. In the words of K. A. Chaudry: "The new importers, as well as the investors that bought and leased the large government holdings in agriculture and industry, were not traditional private sector elites; rather, most of them made their fortunes in contracting."<sup>5</sup>

These measures indicate that Iraqi authorities wanted to relinquish some of their responsibilities in the civilian sector of the economy, first by refraining, to a large extent, from importing civilian goods, thereby conserving resources for military imports; and second, by selling public enterprises, thereby obtaining additional finance from the private sector through the sale and the termination of subsidies.

When the Iran-Iraq War ended, Iraq faced a new economic reality. This consisted of heavy indebtedness, a significantly depreciated currency and high inflation. In addition, Iraq had to contend with an array of war-related social problems, including the large numbers of Iraqis who were disabled, widowed and orphaned.

### **The Effects of the Gulf War**

By the end of the Iran-Iraq War, Iraq was greatly in need of financial resources. Iraq's petroleum exports barely paid its imports bill, while debt service stood at \$3 billion (i.e., about one-third of total exports). Under these circumstances, there were just three ways for Iraq to obtain the financial resources it required: an increase in price of oil, debt relief and fresh external finance.

Iraq's financial predicament, and the limited options at its disposal, are reflected in a letter submitted by the Iraqi government to the Arab League.<sup>6</sup> First, this letter accused Kuwait and the United Arab Emirates of flooding the oil market to lower the price of oil, thereby preventing Iraq from using the price instrument to get additional resources. In the opinion of Iraq, the price of oil could have been increased from an average level of \$16 per barrel to \$25 per barrel for the period 1988-1989. Second, the letter sought to persuade Kuwait to regard its loan to Iraq during the Iran-Iraq War as a grant. Finally, Iraq asked for additional finance as compensation for Kuwait's alleged theft of oil from the Rumaila oil field.

Iraq's economic grievances against Kuwait, in addition to the historic border dispute, are generally regarded as the economic motivation for the August 1990 invasion, even though the price of oil by that time had increased to \$21 per barrel.<sup>7</sup> Following the invasion, Iraq's economic problems worsened. United Nations economic sanctions deprived Iraq of oil revenues, which represented 98 percent of the country's total exports.<sup>8</sup> The United Nations also imposed war reparations obligations upon Iraq, with claims amounting to more than \$220 billion (not yet a final figure).<sup>9</sup>

Any country that suddenly loses almost all of its export earnings faces a daunting task. Iraq is no exception. UN sanctions caused shortages in subsistence goods and medical supplies, and created a macroeconomic environment in which inflation



soared.<sup>10</sup> In circumstances like these, governments normally seek to mitigate the effects of sanctions and the loss of export earnings. The measures which Iraqi authorities took, however, exacerbated Iraq's problems.

The Iraqi government instituted a rationing system under which about one-half of the population's basic food requirements are met. The government also resorted to printing money to finance its expenditures. This produced substantial pressure on the *dinar*, leading to a vicious cycle of inflation, deeper deficits financed by more printing of currency and further weakening of the *dinar*. This indicates the extent to which monetary policy failed to harmonize money printing with the ability of the economy to produce and supply goods. Thus, while the rationing system moderated increases in price levels, the monetary expansion contributed to hyper-inflation and the soaring costs of non-rationed goods. By handling the embargo in this way, the government raised some of the resources it required. However, this policy shifted the burden of sanctions to the Iraqi population. Only those few Iraqis who possessed dollars benefited from the policy, since they were shielded from the effects of hyper-inflation.

Given the conditions that the country faced, Iraqi authorities should have followed an adjustment policy. Then, the supply of goods would have revolved around rationed goods. This policy would not have ensured that the needs of the population were met; however, it would have been less inflationary. Printing money makes goods so expensive that people are unable to buy them. Indeed, from the point of view of the national economy, it is undesirable to create an environment where goods are made available, but at exorbitant prices. This merely encourages people to sell their assets (i.e., to dissave) in order to acquire these goods. Through dissaving, a transfer of resources takes place from the majority, to the few who have purchasing power and foreign currency. This transfer of resources distorts the distribution of national income and wealth. In fact, this is precisely what has occurred in Iraq, where the once-powerful middle class has nearly disappeared.

Since the 1970s, therefore, Iraq's economy has deteriorated in almost every respect. Table 1 illustrates the sequence of developments that have led to the current state of collapse of the Iraqi economy.

### **The Future of Iraq's Economy**

Iraq faces a large external debt<sup>11</sup> and substantial war reparations payments.<sup>12</sup> Growth, which is currently frustrated by sanctions, will in future be constrained by these obligations. In order to assess the prospects for Iraq's economy, I have constructed a number of scenarios related to the sanctions and financial obligations that Iraq may confront. Although this simulation is quantitative in nature,<sup>13</sup> it is important to mention that Iraq's economic future will depend on many qualitative factors, including:

- The success of reconstruction efforts following the two Gulf wars;
- The achievement of social stability, given the effects of hyper-inflation, widespread poverty and the displacement and deportation of thousands of Iraqis;

**Table 1**  
**Sequence of Collapse in the Iraqi Economy**

Growth	The growth in some years prior to 1980 exceeded 10 percent Growth in the 1980s was about -9 percent Afterwards it further declined to around -11 percent
Financial positions	Current account surplus and huge reserves Depletion of reserves Deficit and dependence on external finance Aggravation of deficit due to sanctions Potential deficit because of reparations and debt service
Domestic and external sectors	External sector was financing the domestic sector Domestic sector must remedy the deficit in the external sector
Inflation	Inflation was being caused by development pressures (economic fundamentals) Weakness of currency and military spending Sanctions, money printing, collapse of currency and hyper-inflation
Financing consumption	Saving and wealth used, in the main, to finance investment Now they are used to finance consumption and current living
Social state	A measure of social stability War with Iran caused widowhood and disablement With the second Gulf War, crime became widespread and the middle class virtually disappeared

- The attainment of political stability, given Iraq's authoritarian system of government and international isolation; and
- The existence of a political climate conducive to renegotiating Iraq's financial obligations and placing the country on an economic growth path.

The following quantitative scenarios assume that these four important preconditions are met. The growth of the Iraqi economy will then depend on the availability of domestic and external financial resources, and on the efficiency with which these resources are utilized. In the future, more than in the past, Iraq's economic growth will be constrained by a shortage of foreign exchange. Unlike before the 1980s, to achieve economic growth Iraq will have to seek relief from external obligations; in addition, the non-oil sector and the government (through its macroeconomic policy) must bear greater weight in this respect.

In these scenarios, domestic resources are represented by domestic saving (i.e.,

its ratio to GDP). External resources are represented by net resource flow, which is the difference between the country's financing needs and its sources of finance. The financing needs include the current account deficit and the repayment of loans.<sup>14</sup> The financing sources are the current account surplus<sup>15</sup> and the disbursements of loans and grants, foreign direct investment and other capital inflows. The net financing sources of the country are the difference between financing sources and financing needs. My assumption is that Iraq will not be able to access financial sources like gross disbursement and foreign direct investment in the period under study (1998-2010).<sup>16</sup> Based on this assumption, a current account surplus will be Iraq's only financing source.

There are two general scenarios offered below. The first examines the prospects for Iraq's economy if sanctions are lifted. The second considers these prospects if sanctions are maintained. These alternative scenarios aim to shed light on the course of Iraq's future growth, and on the effect that different degrees of relief from financial obligations will have on growth.

### **Scenario 1: Sanctions are Lifted (SL)**

In this scenario, the lifting of sanctions results in the resumption of Iraq's oil exports. The effect of this is seen explicitly because the resource balance (RB) in the annex is expressed in terms of comparing the trade balance with debt service. Yet, there are nonetheless three cases to consider in order to assess the prospects for Iraq's economic growth. These cases reflect the distinctive arguments that Iraqi negotiators will put forward, and, correspondingly, their effects on Iraq's future economic growth.

*The DSIRR Case:* In this case, Iraq repays external debt, irrespective of what effect the payment of reparations will have on the trade balance. In fact, Iraq repays this debt according to an amortization schedule. This case will produce the worst results for Iraqis, in terms of growth. Financial outflows will be large, due to the fact that no condition is imposed on the payment of debt service.

*The TRADOFF Case:* In this case, Iraq will not repay debt if reparations cause a trade deficit. Iraqis will present this case as a trade-off strategy. Iraqi authorities will argue that, for the creditors to get their money back, the international community must reduce the reparation ratio. This means, the higher the reparation ration paid by Iraq, the lower the debt service. This case rests on the accounting basis of the balance of payments, because if the current account is turned into a deficit as a result of payments of reparations, then the capital account must be in surplus. According to our assumptions, this surplus comes from debt relief, rather than from gross disbursements of loans or grants.

*The NOPXTS Case:* In this case, Iraq pays neither reparations nor debt service unless a trade surplus is attained. In other words, this case gives priority to imports over the payment of reparations and debt service. The issue of how this trade surplus is achieved, though important, is not dealt with in detail here. However, the experience of debtor countries reveals that having a trade surplus is important for debt service; some debtor countries achieved such a surplus through import compres-



sion, and others, especially within the middle-income developing countries, through export expansion.<sup>17</sup>

All of the cases described above are based on several assumptions about the saving rate and relief from obligations (i.e., reparations and debt servicing). First, it is assumed that the saving rate ranges from 5 to 15 percent of GDP. Iraq, before the war with Iran, used to save about one quarter of its national income. This is a reasonable assumption for, given the suffering the Iraqi people have endured, they will most likely desire to increase their consumption level.

Second, it is assumed that the relief measures relate to debt reduction, as well as to reduction of the ratio of reparations. It is unclear that Iraq will get the relief it needs, as the international community may have a different assessment of its capacity to pay.<sup>18</sup> Although these obligations are binding under international law, Iraq is nonetheless entitled to assess their effect on the economy's growth prospects and present a case for renegotiating them. Naturally, this requires a political environment in which Iraq's isolation has ended and its reintegration into the world community is assured.

Third, it is assumed that Iraq obtains a 50 percent reduction of debt<sup>19</sup> and a 50 percent reduction in the reparation ratio (30 percent of oil exports). We also consider the cases where Iraq's debt and/or reparations are canceled. These relief measures would indicate the desire of the international community, including Iraq's neighbors, to help Iraq attain a higher level of economic growth.<sup>20</sup> As mentioned earlier, Iraq could obtain this relief through negotiation with the United Nations (in the case of the ratio of reparations) and with creditors (in the case of debt).

Finally, it is assumed that when sanctions are lifted, Iraq's military imports will decline from their traditionally high levels. Whereas just prior to the invasion of Kuwait military imports represented more than one-third of petroleum exports, it is assumed that those imports will not exceed 10 percent of oil exports.

The third case (NOPXTS) differs from the other two in the sense that the reparation reduction ratio applied is the share of reparations in dollar terms, which is over \$200 billion.<sup>21</sup>

## **Scenario 2: Sanctions are Maintained (SM)**

This scenario reflects the conditions of UN Security Council Resolution (SCR) 986, under which Iraq is allowed to export crude oil equivalent to \$1 billion every three months for an initial period of 180 days. According to SCR 986, these earnings can be used only to pay for food, medicine and other essential civilian supplies; to pay for reparations in the ratio decided; and to meet the current operating cost of the UN Special Commission (UNSCOM).<sup>22</sup>

In this scenario, the saving rate is assumed to be either zero or negative (-.1). Currently, Iraqis are dissaving; that is, they are liquidating their savings and assets in order to subsist. Under these conditions, a saving rate of zero is the most optimistic assumption one can make. To put it differently, the oil export income allowed by SCR 986 will mainly determine the growth of the economy.

It is also assumed that, under SCR 986, Iraq will pay reparations, but not service

debt. Thus, we consider a 50 percent reduction and cancellation of reparations, and assess the effects of these measures on the growth rate. Similarly, we consider the possibility of a 50 percent and a 100 percent increase in oil exports, and examine the effects of each of these possible adjustments on growth.

### **The Relationship between Reparations and Debt**

The simulation examines the dynamic interaction between the payment of reparations and the level of external debt in both scenarios (in all cases). The reparations-debt relationship is a direct one in the sense that the higher the ratio of reparations, the higher the external debt. In other words, if the payment of reparations causes a current account deficit, then there will be a need for external finance, under which case external debt may increase.

Therefore, the Iraqi external debt will increase (decrease) by the amount of current account deficit (surplus) and will decrease by the repayment of debt. New levels of debt and interest payments will emerge. This also relates to the SCR 986 scenario, where, although the debt is not repaid, it is nonetheless accumulated by the current account deficit.

This exercise (i.e., the effect of reparations on debt) should be consistent with the assumption that Iraq will be unable to get additional flows. All of these projections are *ex ante*, indicating the level of debt that will accumulate if the current account deficit is financed by debt-creating additional flows. In other words, this exercise provides an indication of Iraq's potential future debt in the years covered by the study.

The following formula is used to determine the yearly outstanding debt:

$$D_t = D_{t-1} + GD_t - R_t - CAB_t \quad (\text{formula 1a})$$

Where:  $D$  is outstanding debt;  $GD$  is gross disbursement of debt;  $R$  is repayment of debt;  $CAB$  is current account balance.

Since our assumption is that Iraq will not get financial flows,  $GD=0$  and formula 1a becomes,

$$D_t = D_{t-1} - R_t - CAB_t \quad (\text{formula 1b})$$

### **An Analysis of Scenario 1: Lifting the Sanctions (SL)**

I will present the results of the simulation for each of the cases in this scenario. Then, I will analyze the results by considering the implications for growth in the period 1998-2010; and by examining the interaction between reparations payments and external debt in the year 2010 (at various reparation ratio levels).

#### *The DSIRR case:*

Recall that, under the conditions of this case, the external debt will continue to be serviced irrespective of what happens to the trade balance. Since our assumption is that there is no lending, nor are there other inflows to Iraq, the only way Iraq can service its debt is to pay out of its financial reserves or to embark on a stringent adjustment program.

The debt service is made according to an amortization schedule based on a 20-year repayment period for a \$120 billion debt (i.e., \$80 billion owed to non-Gulf

creditors at a 5 percent interest rate, and \$40 billion owed to Gulf countries at no interest).

(i) *The implications for growth:* Table 2, which shows growth performance under the DSIRR case of the sanctions-lifting scenario, reveals several things.

First, the growth rate attained, especially in the “no reduction” situation, points to the continued collapse of the Iraqi economy, even if the sanctions are lifted. This is an unsustainable situation, for it is practically impossible, under this case, to have a positive growth rate. For growth to be positive, Iraq will have to achieve at least a 60 percent saving rate! However, at a given saving rate, the relief from external obligations will be more effective in producing a positive growth rate. For example, in the situation when there is a 50 percent reduction of the obligations and a 15 percent saving rate, the growth rate approaches the positive level.

Second, due to the fact that the foreign exchange constraint will, from now on, be a binding one in Iraq, relief from financial obligations will, comparatively speaking, have a greater effect on growth prospects than an increase in the domestic saving rate. Whereas in the “no reduction” situation, the growth rate increases from -13.1 to -12.4 percent when the saving rate doubles, a 50 percent reduction in the financial obligations will improve the growth appreciably, from -12.4 to -2.4 percent under a 10 percent saving rate.

Third, the complementarity between the saving rate and the relief measures is greater when there is relief. As Table 2 shows, an increase in the saving rate will improve growth by a greater margin when a reduction is granted than when it is not.

Finally, when no reduction from the financial obligations is granted, the current account deficit keeps increasing because reparations are being paid in full and because interest payments increase. The two causes, which are interrelated (as will be shown), widen the financing gap. Under a 50 percent reduction in the obligations, the reverse is true, leading to a narrowing of the financing gap. This improves the current account balance, which is the only way (we assume) that Iraq will be able to obtain resource inflows.

Thus, if relief is not obtainable and if the debt is paid according to a strict amortization schedule, the conditions of the Iraqi economy will continue to deteriorate even if the sanctions are lifted. Therefore, relief in the form of a reduction in the obligations

**Table 2**  
**DSIRR Case**

Percentage change in growth rate under various assumptions of relief from obligations and various levels of savings rates. 1998-2010.

Saving Rate	No reduction	50 % reduction	Total Reduction
0.05	-13.1	-3.3	5.4
0.1	-12.4	-2.4	6.4
0.15	-11.6	-1.5	7.4



**Table 3**  
**DSIRR Case**

The relation between war reparation and external debt in Iraq, 1998-2010.

Reparation ratio	External debt in 2010 <sup>1</sup> (US\$ billion)	DS/Exports <sup>2</sup> (%)	OB/Exports <sup>2</sup> (%)
0.3	150.9	42.8	72.2
.25	130.2	41.6	66.1
0.2	109.4	40.4	60.0
0.15	88.7	39.2	53.9
0.1	68.0	37.9	47.7
0.05	47.3	36.7	41.6
0.0	26.6	35.5	35.5

<sup>1</sup>External Debt in 1998 is estimated to be \$120 billion.

<sup>2</sup>Average ratio for the period.

is absolutely necessary. Apart from such relief, it is possible to study the effect of a possible rescheduling of debt, thereby altering the amortization schedule.

(ii) *The interaction between reparations and external debt:* Table 3 shows the relation between the reparation ratio paid out of oil revenues and the level of external debt in 2010.

According to Table 3, if Iraq is compelled to pay 30 percent of its oil revenues or if the ratio is reduced to 25 percent, by the year 2010 the level of debt will be higher than at the beginning of the period under study. Relying on formula 1b to determine the level of the new debt, in this case, the reduction of the reparation ratio to 25 percent is not enough to generate a current account surplus conducive to a reduction in external debt. The explanation for the high debt service ratio is that debt is being repaid anyway, according to an amortization schedule. The movement in debt is determined by the level and sign of the current account, and eventually by the reparation ratio.

If the reparation ratio is reduced to 20 percent of oil revenues, then the debt will decline from \$120 billion in 1998 to about \$109 billion in 2010. This is due to the fact that the reduction of the reparation ratio lowers the current account deficit, in which case the debt increases by a smaller amount than under a higher reparation ratio. However, repayment continues according to the amortization schedule (i.e., by a constant amount, \$6 billion).

A reduction of the reparation ratio to 5 percent, or exoneration from these reparations, will help Iraq to generate a current account surplus. It is assumed, perhaps unre-

**Table 4**  
**NDSXTS-TRADOFF scenario**

Growth rate under various assumptions of relief from financial obligations and various levels of saving rates, 1998-2010.

Saving rate	No reduction (%)	Half reduction (%)	Total reduction (%)
0.05	-8.7	-1.6	5.4
0.1	-8.0	-0.7	6.4
0.15	-7.3	0.2	7.4

Note: For reparations, no reduction indicates that the ratio remains 30 percent of oil revenues, a 50 percent reduction means 15 percent and a total reduction means 0 percent.

alistically, that this surplus will be available for the payment of debt. In addition to the repayment, this will further reduce the debt. In turn, the reduction of debt will lower interest payments and debt service. If the reparation ratio becomes zero, Iraq's debt will be about \$27 billion in the year 2010, representing an annual decline of almost 12 percent.

*The TRADOFF case:*

This case implies that Iraq asks its creditors to postpone its debt until the country generates a trade surplus (after paying reparations). In this case, Iraqi authorities rely on the argument that, if payment of the reparation (which is taken at source) causes a trade deficit, then for debt to be paid the international community must forego the payment of reparations or reduce its ratio. Since there will be instances in which Iraq will not pay debt (e.g., a moratorium on debt), the resource balance (RB) available to Iraq in this case will be higher than in the DSIRR case.

(i) *The implications for growth:* Table 4 shows the effect of relief from the obligations and of the saving rate on growth prospects under the TRADOFF case.

In this case, the "no reduction" situation, which implies, among other things, a reparation ratio equivalent to 30 percent, leads to a trade deficit. Because of this, the case produces zero payment of debt. Therefore, the financing gap is equal to the current account deficit, which keeps increasing. This increase is due to higher interest payments, which in turn stem from the increase in debt. Iraq's debt is not reduced because the country does not generate a trade surplus, and thus does not repay the debt.

In this case, growth is still negative, but is better than in the DSIRR case because the financing gap in the latter case is determined by the current account deficit and repayment of debt. However, the situation remains catastrophic, especially under the "no reduction" situation.<sup>23</sup>

A 50 percent reduction in Iraq's financial obligations will lead to a big improvement in growth performance. This reduction allows some debt to be repaid, but because the decline in the current account deficit is so big in comparison with the DSIRR

case, the financing gap is greatly narrowed. Indeed, when there is a 50 percent reduction, the growth rate will be positive if Iraq's saving rate reaches 15 percent.

If Iraq is absolved of all debt and reparations, the country will experience a current account surplus. As already mentioned, this relief will constitute a financing source, causing the growth to be positive. In fact, annual growth will be more than 7 percent (a respectable rate by world and developing-country standards), provided that Iraq's saving rate is 15 percent of national income.

(ii) *The interaction between reparations and external debt:* Table 5 depicts the relationship between reparations and debt in the TRADOFF case.

According to the figures in Table 5, the external debt in the year 2010 remains higher than in 1998. In fact, if the reparation ratio of 30 percent of oil revenues is maintained, then external debt will almost double. This is due to the huge current account deficit caused by the high reparation ratio and by the fact that, under these conditions, no debt can be paid. It is only when the international community reduces the reparation ratio to 5 percent of oil revenues that the debt will be lower in the final year than in the initial year. Iraq, under these conditions, accumulates arrears and uses them (as additional finance) in order to improve its growth prospects. Even under a reparation ratio of 20 percent, Iraq cannot make repayments of debt. Between 20 and 30 percent, the debt accumulates by the current account deficit caused by these ratios. In addition, Iraq repays no debt because the country fails to generate a trade surplus.

Iraq can repay debt, however, if reparation ratios are set at 15 or 10 percent, but it would not be enough to reduce the absolute volume of debt beyond the level of 1998. Nevertheless, as the reparation ratio decreases (see Table 5), the decline in debt accel-

**Table 5**

**TRADOFF scenario**

The relation between the reparation ratio and external debt in Iraq, 1998-2010

Reparation ratio	External debt in 2010 <sup>1</sup> (\$ billion)	DS/Exports <sup>2</sup> (%)	OB/Exports <sup>2</sup> (%)
0.3	238.6	23.5	52.9
0.25	217.8	22.3	46.8
0.2	197.1	21.1	40.7
0.15	167.3	21.8	36.5
0.1	129.2	24.3	34.1
0.05	89.5	27.2	32.1
0.0	49.5	30.2	30.2

<sup>1</sup>External debt in 1998 is estimated to be \$120 billion.

<sup>2</sup>Average ratio for the period. OB stands for financial obligations.



erates. The fact that the debt is lower in absolute terms when the reparation ratio is 5 percent or zero than in 1998, indicates the combined contribution of the current account surplus and repayment in this regard. In other words, the debt service capacity is greatly enhanced.

The second observation is that, in general, the ratio of debt service to exports is lower in the TRADOFF than in the DSIRR case because of the conditions imposed on debt repayments (i.e., because of our assumptions in this case). The debt service ratio declines with the reparation ratio, but resumes its ascent when the reparation ratio is equal to, or lower than, 15 percent. This is because the current account surplus adds to the debt service, giving the debt service ratio a U-shaped form.

The third observation is that the TRADOFF case is more oriented towards growth and less so towards the repayment of debt than the DSIRR case. This is true despite the fact that, except for the “total relief” situation, Iraq’s growth performance remains unsatisfactory. The results show that, in the context of a 50 percent reduction and a cancellation, growth is generally positive.

#### *The NOPXTS case:*

This case represents a strategy under which Iraq will pay neither reparations nor debt unless there is a trade surplus, and will then divide payment between reparations and debt.<sup>24</sup> The idea is that foreign exchange earnings should first be used for imports. Certainly, under current economic and social conditions, Iraqis would give priority to the importation of consumption and investment goods.

This case is different from the DSIRR and TRADOFF cases in two other respects. First, the reparation ratio which will be applied to oil revenues will be determined endogenously by the system, taking, *inter alia*, the payment of external debt into account.<sup>25</sup> One cannot determine in advance what the reparation ratio with respect to oil revenues will be, since the trade balance is calculated without having made any cut from oil exports. Second, the relief from reparations relates to a reduction, in percentage terms, from the absolute volume of reparations. It does not relate to the reparation ratio, which will be determined endogenously by the system itself.

(i) *The implications for growth:* Table 6 shows the effect of relief from obligations and various ratios of the saving rate on the growth rate.

As Table 6 reveals, in this case the growth rate, though negative, is significantly better than in the DSIRR and TRADOFF cases. Even in the “no reduction” situation, a small increase in the saving rate could greatly improve growth prospects. A 25 percent saving rate could enable Iraq to have a positive growth rate. However, while historically Iraq did attain such a rate, it is uncertain that this can be duplicated, especially in circumstances like the “no reduction” situation.

The second observation is that the trade surplus is divided on a *prorata* basis between reparations and repayment of debt.<sup>26</sup>

The third observation is that the financing gap—the sum of the current account balance and repayment of debt—is lower in this case than in the others. The smaller reparation ratio (i.e., the one determined by the model) makes the current account

**Table 6**  
**NOPXYS scenario**

Growth rate under various assumptions of relief from financial obligations and various levels of saving rates, 1990-2010.

Saving rate	No reduction	Half reduction (%)	Total reduction (%)
0.05	-3.6	-1.0	5.4
0.1	-2.8	-0.1	6.4
0.15	-2.1	0.9	7.4

Note: The reduction ratios relate to the volume of debt and reparations.

deficit smaller, leading to a smaller addition to the external debt. In turn, this will affect interests payments in a positive way.

The final observation is that, under the conditions of total relief from obligations, Iraq's debt repayments and interest payments will be nil. The trade surplus, which is actually a current account surplus under these circumstances, will represent the financial resources that will potentially affect growth. As in the previous cases, the growth will be relatively high by developing countries standards.

(ii) *The interaction between reparations and debt:* Table 7 shows the relationship between reparations and debt under this case, and leads to several observations.

First, the reparation reduction ratio (RRR) is applied to the absolute volume of the claims, which, at the moment, is almost \$220 billion. We assumed that this ratio (RRR) increases by 25 percent, but the effective reparation ratio in terms of oil exports, which is determined endogenously, turned out to be less than 30 percent throughout. Clearly, that ratio declines at an accelerating pace. The highest ratio of reparation for Iraq in this situation is about 11 percent. In other words, the fact that reparations are not

**Table 7**  
**NOPXTS scenario**

The relation between the reparation ratio and external debt in Iraq.

Reparation reduction ratio	External debt in 2010 <sup>1</sup> (\$ billion)	DS/exports <sup>2</sup> (%)	OB/exports <sup>2</sup> (%)	Effective reparations ratio <sup>2</sup>
0.0	136.3	23.6	34.3	10.9
0.25	127.2	24.3	33.9	9.8
0.5	113.7	25.3	33.2	8.1
0.75	91.7	27.0	32.2	5.3
1.0	49.5	30.2	30.2	0.0

paid unless there is a trade surplus, reduces the effective ratio in terms of oil exports from 30 to 11 percent.

Second, of the three cases in the sanctions-lifting scenario, this case shows the smallest increase in debt. This is due to the fact that no debt is paid unless there is a trade surplus. The current account deficit is also smaller because the payment of reparation out of exports is no more than 11 percent. Regarding the debt service, the fact that it is made conditional on the achievement of a trade surplus explains its relatively low ratio compared to the DSIRR case.

Third, if the international community reduces the volume of reparations (i.e., increases the RRR by 50 percent), then the debt in 2010 will be less than in 1998. This is due to the enhancement of the debt service capacity. Our results indicate that, on average, debt repayment, which reduces the debt, is higher than the factor that increases the debt (i.e., the current account deficit).

Finally, this case is better than the DSIRR and TRADOFF cases in terms of both growth and debt service capacity.

### **An Analysis of Scenario 2: Maintaining the Sanctions (SM)**

This scenario gives a general idea about the growth prospects under the present conditions, that is, under UN Security Council Resolution (SCR) 986.

First, SCR 986 allows Iraq to export petroleum up to a value of \$2 billion every six months. Under this resolution, Iraq pays reparations according to Article 8c, and also pays about 10 percent of these earnings to defray the cost of the Special Commission (UNSCOM) operation.

Second, because of the parties involved, debt repayment requires a different mechanism. Nevertheless, the potential debt will still be accumulated by the current account deficit. In this scenario, the financing gap will be restricted to the trade variables (i.e., the trade balance) because the oil revenue permitted under SCR 986 will be used for imports and the purposes cited above.

Third, under the present conditions, it is unrealistic to assume a positive saving rate. People are selling their assets in order to subsist; in effect, this is dissaving. Therefore, the growth pattern will be examined under a zero saving rate and a negative one (-.1).

Fourth, we also consider the possibility that the UN Security Council might increase the level of oil exports under the same mechanism. Accordingly, we examine the effect on growth of a 50 percent and a 100 percent increase in these exports.<sup>27</sup>

Finally, Iraq currently exports about 70,000 barrels of oil per day to Jordan. While these exports are not included in the amount allowed by SCR 986, it is assumed that they will be part of any increase in oil exports that may occur. It is also assumed that, if the United Nations approves such an increase, Iraq will terminate informal trade in oil.

Table 8 shows the effect on growth of the payment of reparations and the export of oil. The reparation ratio ranges from zero to 30 percent of oil exports, while it is assumed that the increase in oil exports will be 50 percent and 100 percent.

The orders of magnitude depicted by Table 8 show that, if there is no increase in



**Table 8**  
**Sanctions maintained scenario: SCR 986**  
**Percentage change in oil exports (GOEX)**

Growth rate under different assumptions of growth of oil exports and various ratios of reparation, 1998-2010.

**A. Saving rate=0**

GOEX (%)	30% reparations ratio	15% reparations ratio	0% reparations ratio
0	-1.6	-1.0	-0.4
50	-1.1	-0.2	0.6
100	-0.7	0.5	1.6

**B. Saving rate=-0.1**

GOEX (%)	30% reparations ratio	15% reparations ratio	0% reparations ratio
0	-3.6	-3.0	-2.4
50	-3.1	-2.2	-1.4
100	-2.7	-1.5	-0.3

the volume of oil exports, then the growth will remain negative. Only if Iraq doubles oil exports and obtains relief from reparations can it achieve a positive growth rate. This is the case where the saving rate is zero (Table 8A), which means that growth is determined exclusively by the relaxation of the foreign exchange constraint.

Strictly speaking, this scenario cannot be compared directly with the sanctions-lifting (SL) scenario and its cases. Unlike in the sanctions-maintaining (SM) scenario, in the SL scenario there is a possibility that the saving rate will become positive. Furthermore, in the SM scenario it is assumed that Iraq will not import military goods, but in the SL scenario it is assumed that Iraq will. Having said this, the case where sanctions are lifted with “no reduction” in financial obligations will generally produce lower growth.

Yet, for the time being, SCR 986 is not a resolution that aims to improve growth prospects. Rather, it is a humanitarian measure.<sup>28</sup> If oil exports double, growth will be positively affected. The purpose of comparing the SM scenario to the SL cases is to highlight the grave consequences that Iraq's economy will suffer in the absence of relief from financial obligations.

As previously mentioned, in this scenario debt is not repaid, but will be accumulated by the current account deficit. Table 9 shows the relation between reparations and debt under various assumptions about increases in oil exports. This leads to several observations.

**Table 9**  
**Sanctions maintained scenario: SCR 986**  
**Percentage change in oil exports (GOEX)**

Growth rate under different assumptions of growth of oil exports and various reparation ratios, 1998-2010.

Reparation ratio	External debt (\$ billion) in 2010 [1998=\$120 billion]		
	GOEX=0	GOEX=50	GOEX=100
0.3	209.8	202.3	194.9
0.25	206.5	197.5	188.4
0.2	203.3	192.6	181.9
0.15	200.0	187.7	175.4
0.1	196.8	182.9	168.9
0.05	193.6	178.0	162.4
0.0	190.3	173.1	155.9

First, at the reparation ratio of 30 percent and with the SCR 986 provisions remaining unchanged (GOEX=0), the level of debt will be about \$209.8 billion. The debt accumulates because of arrears in repayment. However, this accumulation is less than that of the TRADOFF case of the sanctions-lifting scenario. This is because the current account deficit in the sanctions-maintaining scenario is lower. In turn, the lower current account deficit reflects the compression of imports, which occurs because of SCR 986 limitations on the level of exports.

Second, a debt reduction (in absolute terms) of more than \$120 billion appears impossible, unless Iraq more than doubles its oil exports. Even at a zero reparation ratio and a 100 percent increase in oil exports, the debt will remain at \$155.9 billion in 2010 (more than \$30 billion higher than its initial level) because of the continuing current account deficit.

Third, these results, together with those shown in Table 8, indicate that this scenario is neither growth-oriented nor debt-repayment oriented. It is geared towards humanitarian needs and, to a certain extent, towards the payment of reparations, as the provisions of SCR 986 indicate.

## Conclusion

As the result of the development strategies and policies that Iraqi authorities adopted in the 1970s, Iraq's economy became increasingly dependent on oil exports. For the most part, Iraq's oil exports were carried through a complex pipeline network that passed through the territory of Iraq's neighbors. An open economy like this cannot sustain a war.

In addition to its human cost, the Iran-Iraq War exhausted Iraq's financial reserves

and left the country with a large foreign debt. The financing of the war was also an important reason for the depreciation of the currency and inflation.

Those economic difficulties constituted an important source of conflict with, and one of the reasons for the invasion of, Kuwait. However, the invasion resulted in the imposition of sanctions and war reparations against Iraq. Consequently, from now on, Iraq will be short of foreign exchange. Whereas this shortage currently relates to sanctions, in the future it will be determined by debt service and payment of reparations.

This paper examines two scenarios: one assumes that sanctions will be lifted (SL) while the other assumes that they will be maintained (SM). In the SL scenario, Iraq is assumed to pay its obligations, but the growth prospects depend, to a large extent, on the conditions, or the macroeconomic set-up, under which these payments are effected and on the degree of relief from these payments. Those conditions are represented by three cases under the SL scenario.

In the DSIRR case, external debt will be paid irrespective of what happens to the trade surplus. There will be a strict amortization schedule to which Iraq must adhere. Debt service will not be affected if the payment of reparations reduces the trade surplus or if it causes a deficit.

In the TRADOFF case, if Iraq does not enjoy a trade surplus in the period under study, then it will be unable to pay debt. Thus, to the extent that the payment of reparations causes a trade deficit, debt service capacity will be weakened, and thus the payment of debt could cease. In general, the resource balance (as defined in the annex) will be greater than in the previous case because of the restrictions on the payment of debt.

In the NOPXTS case, imports receive higher priority than the payment of obligations, whether reparations or debt. Those obligations will not be paid unless Iraq attains a trade surplus. Iraqis can simply argue that they must be compensated for the misery they have suffered because of misguided policies, wars and sanctions. This case produces an even higher level of resource balance than that attained in the other two cases.

In contrast, the sanctions-maintaining scenario represents the situation that Iraq currently faces under the terms of SCR 986. Iraq is not servicing any debt, but is required by the resolution to pay reparations. The resource balance will be equal to the trade balance, which is affected by the payment of reparations. As explained in the text, we assume certain increases in the value of oil exports.

The simulations highlight the importance of relief from debt and reparations. The relative performance of each of the cases in the SL scenario underscores the importance for Iraq's economy of the strategy adopted and the relief accorded. Therefore, the magnitudes evaluated are probably less important than their order. Those magnitudes are sensitive to the data used and the assumptions upon which they are projected. With this qualification in mind, one can draw the following conclusions from the different cases and scenarios.

First, under the SL scenario and when the relief is not total, the NOPXTS is the best case and strategy for the Iraqis. This is true in terms of both growth and debt. In other words, if the international community insists on Iraq's payment of all obliga-



tions in whatever ratios, then Iraq should be given the opportunity to import the necessary goods for consumption and growth; moreover, the obligations should be taken from the trade surplus.

The superiority of this case is apparent if we consider the extreme example of the “no reduction” situation. Comparing the results of the various cases (see Tables 2, 4, and 6), it is evident that growth improves as we move from the DSIRR case to the cases reflected in the TRADOFF and NOPXTS cases. The greater the relief, the smaller is the relative improvement of the different cases, until it vanishes when obligations are cancelled (the same growth rate in the three tables). Put differently, if the relief is total, Iraq will be indifferent to which case or strategy to adopt, because the question of negotiation does not arise!

It is tempting to conclude that behind the relatively better performance of the NOPXTS case lies the fact that the capacity to import is not weakened by the payment of the obligations. This, in itself, would be a concession to the Iraqis, because debt service in many developing countries has adversely affected their import capacity. However, the fact that obligations are paid out of the trade surplus, which otherwise is an addition to financial reserves, will have adverse effects on potential imports.

In all the cases, the relief from financial obligations is important, and the growth performance varies. The harder the conditions of the case, the more effective will be the relief measures in relation to growth (see Tables 2, 4, and 6). In other words, the dire conditions reflected by the DSIRR case make relief an absolute necessity.

Second, the Iraqis can adopt a line of negotiation that concentrates on the relation between the reparations they pay and the external debt with which they will have to deal. As with the growth results it produced, the DSIRR case yielded the worst results for the Iraqis as far as debt is concerned. In fact, this case gives priority to debt servicing over imports, which is why the debt will be lowest when the reparations ratio is reduced to zero. In other words, any improvement in the trade balance engendered by lowering the reparations ratio goes to debt service. From the point of view of the national economy, having debt is not a problem if that debt is manageable. However, in the DSIRR case, it is not, since the growth is lowest and debt service highest. To put it differently, debt service is met at the expense of growth.

In contrast, the NOPXTS case gives priority to imports over the payment of reparations and debt service. Here, the option for the Iraqis is to aim at a reduction in the absolute volume of reparations,<sup>29</sup> which will result in a percentage being set aside from oil revenues to finance reparations. The reparation ratio will, needless to say, take into account the macroeconomic conditions of the economy, including debt service, a situation thought to be consistent with Article 19 of SCR 687.

The SM scenario, which reflects the resource balance under SCR 986, shows that any prospects for growth are non-existent. As indicated in the text, the main preoccupation of SCR 986 is the humanitarian situation in Iraq, a matter requiring a separate study. With the current dissaving levels in Iraq, the economy will deteriorate by an annual rate of -3.6 percent in the absence of relief from reparations. However, if Iraqis on the one hand, and the international community on the other, strive for the results depicted in Table 8A—doubling the volume of exports allowed, reduc-

ing the reparation ratio and increasing the saving rate—then a growth rate of about 1.6 percent is achievable.

Nevertheless, Iraq will remain heavily indebted, for the debt will be accumulated by non-payment and interest payments. As Table 9 clearly reveals, if the reparations remain payable at the specified ratio (30 percent), by the year 2010 Iraq's potential debt will be about \$210 billion.

While this paper does not question the fact that Iraq should service its debt and/or pay reparations, it highlights the grave economic consequences for the country's growth and future external debt if Iraq does so, even when sanctions are lifted. That is why, as shown in both scenarios, Iraq desperately needs, in addition to the lifting of sanctions, a partial relief or, preferably, a cancellation of obligations. The relief may also include letting Iraq adopt a strategy conducive to macroeconomic stability in the SL scenario. This is a matter for negotiation. In this respect, Iraq deserves treatment similar to that of other developing countries which have external obligations that have been restructured or reduced.

Currently, Iraq is regionally and internationally isolated. Under these conditions, negotiation is inconceivable. It is therefore necessary to reintegrate Iraq into the international community and economy. For this to occur, however, there must exist in Iraq an appropriate political environment. Perhaps then the international community will deal with Iraq in a manner that contributes to its prospects for growth.

## ANNEX:

### The Simulation Methodology and a Note on the Data Used

The objective of this methodology is to integrate the *ex ante* financing gap (i.e., in a projected period) into the growth formula. This is done by evaluating the extent to which the financing gap subtracts from national saving or adds to it when there is a financing surplus.

The balance-of-payments identity, assuming changes in reserves and net foreign investment to be zero, can be written as follows:

$$X - M + (IR - IP) + (GD - REP) = 0 \quad (\text{formula 1})$$

where

$X$  is exports of goods and services

$M$  is imports of goods and services

$IR$  is interest receipts

$IP$  is interest payments

$GD$  is gross disbursements of loans (flows) and

$REP$  is repayment of loans.

Assuming  $IR = 0$  (which is not an unrealistic assumption in the case of developing countries), then 1 becomes;

$$X - M - IP + (GD - REP) = 0 \quad (\text{formula 2})$$

and

$$M - X + IP + REP = GD \quad (\text{formula 3})$$

The LHS of (3) is the financing needs of the country, which is composed of the current account deficit and the repayment of loans. The RHS is the financing sources. The difference between the LHS and the RHS is the financing gap. As previously indicated, we assume that, in the case of Iraq,  $GD=0$ . Therefore, the financing gap, which represents the resource balance RB, becomes:

$$RB = X - M - IP - REP \quad (\text{formula 4})$$

which is the current account balance minus repayments and

$$RB = (X - M) - (IP + REP) \quad (\text{formula 5})$$

(5) or the resource balance amounts to comparing the trade balance with debt service. The higher the difference, the higher the volume of resources that will be available to, *inter alia*, increase growth.

Now potential investment can be defined as<sup>30</sup>

$$I = S + (X - M - IP - REP) \quad (\text{formula 6})$$

or

$$I = S + RB \quad (\text{formula 7})$$

and

$$I = s.GNP + RB$$

and

$$I = s.GDP + RB - s.IP \quad (\text{formula 8})$$

Where  $S$  is national saving and

$$GNP = GDP - IP$$

Now let us define the change in output as a function of investment, or

$$\Delta GDP = \delta I \quad (\text{formula 9})$$

where  $\delta$  is the reciprocal of incremental capital-output ratio or marginal productivity coefficient. By substituting (8) in (9) and dividing by GDP we get,

$$\Delta GDP/GDP = \delta [s + (RB - s.IP)/GDP] \quad (\text{formula 10})$$

Formula 10 is used in the simulations. Its usefulness in the case of Iraq is that all variables indicating the obligations can be explicitly changed according to the strategy adopted. It also shows the extent to which the growth determined by the domestic saving rate ( $\delta s$ ) is furthered or retarded by external factors.

With respect to the generation of data for the projection period, the following points are in order:

1. The variables IP and REP in the projected resource balance are determined by the model according to the assumptions of the various scenarios.
2. Exports of oil are projected to be 5.2 million b/d in 2010. This figure was used by other Iraqi economists for the year 2005, with reservations however.<sup>31</sup>
3. The price of oil is assumed to be \$18 per barrel throughout the period, representing, more or less, the average between the lowest and highest price level of Brent crude between 1993 and the middle of 1997.<sup>32</sup> It is thought that the price level chosen takes into account the fact that the re-entry of Iraq to the oil market will exercise a downward pressure on oil prices.
4. Imports are assumed to grow by about 7 percent p.a., from \$12 billion in 1999 to about \$20 billion in 2010; this growth rate is twice as much as the growth of



population in recognition of the enormous desire for goods and services for consumption, reconstruction and growth.

5. The initial GDP (for 1998) used in formula 10 is \$21 billion. This is arrived at by multiplying the GDP in 1993 (constant prices, 1987) which amounts to \$11.58 billion,<sup>33</sup> by a factor representing the ratio, of the probable oil production in 1998 or 1.345 million b/d, to current production. The volume 1.345 million b/d equals the sum of the current production (i.e., 735,000 b/d)<sup>34</sup> and the implied additional production according to SCR 986 (i.e., 608,000 b/d). This ratio, which is equal to 1.83, is multiplied by the GDP figure, \$11.58 billion, to get the rough estimate of the initial GDP used in simulation formula.
6. Finally, the incremental capital-output ratio used was about 5, reflecting the need for a relatively capital-intensive technique after the periods of wars.

The figures adopted for external debt and reparations are explained in the text.

## Notes

1. This excludes the pipeline that passes through Syria with a capacity of about 1.4 million b/d. The figure in the text relates to the Iraqi-Turkish pipeline and the IPSA pipeline system through Saudi Arabia, each of which has a capacity of 1.6 million b/d. While having such a pipeline network is a good strategy, it necessitates having good relations with neighboring countries. As an example of the dependence of Iraq on this network, in January 1990 Iraq exported 2.7 million b/d, 87 percent of which passed through Turkey (1.5 million b/d) and Saudi Arabia (0.85 million b/d). See *Middle East Economic Survey (MEES)*, January 15, 1990.
2. For details on this, see A. Alnasrawi, *The Economy of Iraq: Oil, Wars, Destruction of Development and Prospects, 1950-2010* (Westport, CT: Greenwood Press, 1994).
3. Data on financial reserves up to 1977 were obtained from the *International Financial Statistics (IFS)* of the International Monetary Fund. The reserves were updated by data on current account balance which are available in the *OPEC Statistical Bulletin 1995* of the OPEC Secretariat.
4. See Alnasrawi, *op. cit.*, p. 109.
5. See K. A. Chaudry, "Economic Liberalization in Oil-Exporting Countries: Iraq and Saudi Arabia," in I. Harik and D. Sullivan (eds.) *Privatisation and Liberalisation in the Middle East* (Bloomington, IN: Indiana University Press, 1992).
6. See the letter sent from Iraq's Deputy Minister to the Secretary-General of the Arab League in P. Salinger and E. Laurent, *Secret Dossier: The Hidden Agenda behind the Gulf War* (London: Penguin Books, 1991), Annex.
7. See Alnasrawi, *op. cit.*, p. 117.
8. These sanctions were imposed on August 6, 1990 under UN Security Council Resolution (SCR) 661.
9. SCR 687 dealt with the reparation issue in section E. SCR 692 created a fund for reparations, to be financed by a certain level of Iraqi oil revenues. It also estab-

- lished a commission to administer that fund. SCR 705 specified that the compensation to be paid by Iraq shall not exceed 30 percent of petroleum and petroleum products exports, and that the ratio was subject to review.
10. A nutrition survey carried out by UNICEF, with the participation of the World Food Program (WFP) and Iraq's Ministry of Health, indicates that 27 percent of Iraq's three million children are at risk of acute malnutrition. See *WFP Emergency Report*, No. 23, June 6, 1997.
  11. Estimates about the external debt owed to non-Arab creditors vary. The only official estimate is the one submitted by Iraq to the United Nations, which indicates that this debt is equivalent to \$42.1 billion, excluding interest. See *Middle East Economic Survey (MEES)*, May 3, 1991. Updated to 1995 by applying an 8 percent interest rate, the figure is \$62 billion. Updated to 1998, using an interest rate of 7.5 percent, the figure is \$77 billion. To this last figure was added the successive current account deficit of \$4 billion for the period 1991-1995 (which is effectively a trade deficit). This brings the non-Arab debt to \$81 billion (rounded to \$80 billion for purposes of this paper). For interest rates, see World Bank, "Summary Tables: Severely Indebted Middle-Income Countries," *Global Development Finance*, 1997, Volume 1, pp. 206-07. We chose this group of countries because Iraq is now severely indebted. The deficit figures are taken from the *OPEC Statistical Bulletin*, 1995 and were updated to 1998 using the figure for 1995. Concerning the debt owed to Arab countries (i.e., the Gulf debt), there is general agreement that the sum is \$40 billion. See Alnasrawi, *op. cit.*, p. 157.
  12. The Governing Council of the UN Compensation Commission (UNCC) established six categories of claims: individual claims for departure from Iraq or Kuwait; serious personal injury or death; damages up to \$100,000; damages over \$100,000; claims by corporations and other entities; and claims by governments and international organizations. See the UN Compensation Commission website: <http://www.unog.ch/uncc/>. It should be noted that, for the purpose of this paper, only the reparations determined by the UNCC are considered, which means that the reparations claimed by Iran are not included. Iran estimates these claims at \$97.2 billion. See *Outstanding Issues in Iran-Iraq Relations*, in *Salaam*, July 18, 1995 website: <http://www.com/press/politics/foreign/>.
  - 13 See annex for simulation methodology.
  14. In fact, included in financing needs is the need to replenish reserves. This component is ignored, for it is unrealistic to expect that, in the next decade, Iraq will have additional finance for this purpose.
  15. The current account balance either goes under the financing sources, if it is a surplus, or under the financing needs, if it is in deficit.
  16. These require a stable macroeconomic environment. They also depend on the perceptions of investors and donors regarding Iraq's potential wealth, which determines the qualification of the country for a Marshall Plan type of response.
  17. There is probably an analogy here with the question of the reparations imposed on Germany after the First World War. These payments could only be made out of a surplus in the German international accounts, and in the view of John Maynard

Keynes, the Versailles Treaty ruined Germany yet required it to pay. See J. K. Galbraith, *The World Economy Since the Wars: A Personal View*, 1994. Chapter 4. In addition, Article 19 of SCR 687 asserts that the reparation ratio should “take into account the requirements of the people of Iraq, Iraq’s payment capacity as assessed in conjunction with the international institutions taking into consideration external debt service and the needs of the Iraqi economy.” Clearly, this article accords priority to the Iraqi economy and people before the payment of obligations, which is the gist of this case under the SL scenario.

18. Regarding the extent to which a UNCC-style commission could be established to help war victims in Central Africa or Bosnia, the Executive Secretary of the UNCC stated: “The claims are here because Iraq has oil. If Iraq didn’t have oil, there would be no claims.” See the *Wall Street Journal*, August 18, 1997.
19. This applies to Gulf and non-Gulf debt. However, Iraq maintains that the Gulf debt, which is interest free, is a grant. See Salinger and Laurent, *op. cit.*, annex.
20. In a recent article, Zbigniew Brzezinski *et al* wrote that “the United States should consult with interested parties about whether a post-Saddam regime should be offered relief from Iraq’s enormous debts or Gulf War reparations. Such a gesture would be a sensible way to deal with the problems of Iraqi reconstruction.” See *Foreign Affairs*, Spring 1997.
21. See the UNCC website mentioned earlier. The figure we adopted for the purpose of this study is \$220 billion.
22. Out of the \$1 billion, each three months \$300 million will be earmarked for reparations, and 10 percent (i.e., \$100 million) for the cost of UNSCOM operations. See *MEES*, May 27, 1997.
23. In fact, in this case (i.e., the “no reduction” situation) and at a given saving rate, growth will continue to decline. Our results indicate that, at a 10 percent saving rate, the large financing gap causes the growth rate to deteriorate from -5.6 percent in 1999 to -12.2 in the year 2010, with an average for the period (shown in Table 4) of -8 percent.
24. This also means that Iraq will not build foreign exchange reserves. While this case highlights the importance of payment from a trade surplus, it is also important for Iraq to set aside some of that surplus to enhance future import capacity.
25. As will be shown, in this case the reparation ratio will be lower than 30 percent. The assumptions of this scenario are consistent with Article 19 of SCR 687.
26. The external financial obligations are assumed to be \$340 billion (i.e., \$220 billion for reparations, \$80 billion for non-Gulf debt, and \$40 billion for Gulf debt). Whenever a trade surplus occurs, it will be divided between debt and reparations on a *prorata* basis, according to those amounts.
27. Dr. Abd al-Amir al-Anbari, Iraq’s Ambassador to UNESCO and the chief negotiator with the UN Secretariat on the implementation of SCR 986, proposed doubling the value ceiling for oil sales, to \$4 billion every six months. See *MEES*, May 5, 1997.
28. See Preamble of SCR 986.
29. The direct reduction of the volume of reparations results in various reparation ra-



tios out of oil revenues (see Table 7). Indeed, when political developments in the country permit, Iraqis could renegotiate the total reparations claims, taking into account their different categories. Although it was not the purpose of this paper to explore this issue, the post-WWI German experience indicates that German liabilities were fixed at 226 billion gold marks. However, the actual payments in the 1920s were about 23 billion. Furthermore, some of the funds for cash came from special international loans (e.g., the Dawes and Young plans) and from German borrowing. Germany's current account made no contribution because it was always in deficit. In 1934, Germany defaulted on the Dawes and Young loans. For details, see I. Drummond, in P. Newmann and J. Eatwell (eds.) *The New Palgrave Dictionary of Money and Finance* (London: Macmillan, 1992).

30. In national accounts, investment is equal to national saving plus external saving (current account deficit). However, this holds only *ex post* (i.e., this deficit is translated into actual capital inflows).
31. See Dr. F. Al-Chalabi, "Economic Consequences of the Invasion of Kuwait." Paper presented to a seminar organized by the Arab Thought Forum, Amman, Jordan, January 16-17, 1996, p. 12 and Table 1.
32. These lowest and highest price levels are regularly published by *Alhayat* newspaper, London.
33. See *International Energy Agency: Middle East Oil and Gas, 1995*, Annex 2: Iraq, p. 247.
34. See *OPEC Statistical Bulletin, 1995*.

# The Battle For Iraq

Giandomenico Picco

Iraq is caught in a web of legal, political, military, economic and technological restraints unparalleled in modern history. The sanctions imposed by the United Nations (UN) have succeeded in punishing Iraq and its leadership for its aggression against Kuwait. In addition, the sanctions have been politically useful to the coalition which won the Gulf War. If the aim of the winning coalition was the debilitation of Iraq's military capability, this has been achieved. Since the end of the war, the United Nations Special Commission (UNSCOM) has discovered and supervised the destruction of four separate nuclear programs, an advanced biological weapons program and an even more advanced chemical weapons arsenal. Moreover, the most extensive sensor system ever put into place in a country by the international community is now transmitting data through satellites on a continuous basis.

The UN-sponsored oil-for-food agreement has, in effect, placed further limitations on the social and economic structure of Iraq. A corps of United Nations personnel, charged with administering the humanitarian program, monitors and supervises the sale of oil as well as the acquisition and distribution of food, medicine and basic oil equipment. The international presence in the country is more intrusive than ever.

Clearly, the measures adopted by the international community against Iraq since the Gulf War ended have worked. What remains unclear is whether the combination of restraints that currently blanket the country are sturdy enough to resist the wear and tear of time or the jolts of surprises that characterize the region.

The history of the Middle East in the last 50 years has been one of surprises, for better or for worse. Indeed, surprise, rather than predictability, seems to be the key to the survival of regimes, and thus to their stability. Time is the critical variable. Understanding and predicting the effect of time, given the pressures imposed on the country, is crucial to assessing the future of Iraq and the role of foreign governments in the region.

## **The Military Aspect**

The UN Commission has requested, in detail, that Iraq furnish information regarding weapons delivery systems, biological compounds and the documents which allege

unilateral destruction of those components. Indeed, Ambassador Rolf Ekeus' April 1997 report to the Security Council was, in his words, "a quasi ultimatum." Nevertheless, Iraq's government has yet to disclose fully the information requested by UNSCOM. Currently, the ball is in Baghdad's court.

The UNSCOM operation, managed by Ambassador Ekeus for the past six years, functioned quite effectively. The system of sensors and human monitoring instituted by UNSCOM during that period will remain in effect indefinitely, or at least for the life span of the technology involved (i.e., an estimated ten-to-twenty years). It is useful to recall that the post-World War II inspections of German chemical factories by the Allied powers went on until 1989.

In June 1997, Ambassador Ekeus resigned his post as chairman of the UNSCOM. His replacement, Australia's Ambassador to the United Nations, Richard Butler, has a reputation for candor, decisiveness and resoluteness. There will be little or no change in UNSCOM policy towards Baghdad under Ambassador Butler; the battle to harness Iraq's military capability can be expected to continue for quite some time.

In the 1980s, the West and the Soviet Union contributed to strengthening Iraq's military capability, with the expectation that Baghdad would project power outside its borders to shield the Arab Gulf States against a perceived threat from Iran. Then, as now, augmenting Iraq's capacity to project military power was crucial to the policy of President Saddam Husayn. Yet, today, Iraq does not have a navy to project power in the Gulf. Moreover, under the supervision of UNSCOM, Iraq's nuclear, chemical and biological capabilities have been methodically destroyed. In fact, Iraq is incapable of projecting military power. Therefore, the struggle between Iraq and the UN Commission, which has been a difficult one, will continue to be fought inch by inch.

Nevertheless, Saddam Husayn has not abandoned the policy of expanding Iraq's military power despite sanctions. A leading regional role for Iraq and the capacity to project military power, underpinned by Pan-Arab symbolism, remains a central feature of Saddam Husayn's worldview and ambitions. Among the armed forces of all the Arab states, only Iraqi soldiers wear uniform insignia that depict the map of the entire Arab world.

Accordingly, the battle which Saddam Husayn is waging with UNSCOM over weaponry is part of his larger struggle to preserve or acquire the means for Iraq, and for himself, to play a leading role in the region. For Saddam to simply accede to UNSCOM's requests would amount to an abandonment of his convictions, if not an abdication of his rule. Thus, Iraq's armaments and arms program serve as the regime's "protection weapons," and Saddam Husayn's obstruction of UNSCOM forms part of his survival strategy. The ongoing game of hide-and-seek with UN monitors over biological compounds is part and parcel of this strategy.

The international effort to demilitarize Iraq is complicated by a second factor, namely, the intelligence data upon which UNSCOM has relied to conduct its mission. Most of this information is provided by Western intelligence services. Although Britain and the former Soviet Union contribute some information, Washington supplies the core of the data. It is logical, and correct to assume, that Ambassador Ekeus was not given all the information available to the United States for a number of reasons. First,



some information cannot be revealed without jeopardizing the source. Second, and more importantly, there are two schools of thought in the American intelligence community: one that is more generous with UNSCOM and; one which is more reluctant to share information with the special commission. Currently, it appears that Washington prefers to withhold some data, reserving it for possible later use.

The “information gap” is the key issue of dispute between Iraq and UNSCOM. Iraq’s Foreign Minister, Tariq Aziz, has repeatedly asked the UN for a complete list of requirements which Iraq must satisfy. Yet, piecemeal and limited disclosure of intelligence data to UNSCOM has made it impossible for Ambassador Ekeus to satisfy that request. The new chief of UNSCOM, Ambassador Butler, is likely to confront the same difficulty as his predecessor.

For Washington, intelligence information is priceless as long as the future of Iraq hangs in the balance. The data can be a valuable asset for the United States in gauging its relations with a new Iraqi regime. It can also be retained for use in the post-sanctions period, when foreign competition for Iraq’s goodwill and economic wealth gets under way.

### **The Economic Aspect**

Prior to the August 1990 invasion of Kuwait, Iraq had exported 2.5 million b/d of crude oil, or roughly 10 percent of total OPEC production and 3 percent of global daily output. When the United Nations imposed sanctions on Iraq in 1990, the country’s oil exports came to a sudden halt. The only exception was 60,000 b/d allocated to Jordan, which had no other feasible source. Since that time, the amount has increased to almost 72,000 b/d. Illegal exports by Iraq constituted a mere trickle, estimated in the tens of thousands of barrels per day. Estimates of illegal exports have been wide of the mark, with volumes most likely no more than 50,000 b/d to 60,000 b/d. These shipments passed through Iran via a rudimentary pipeline and also entered Turkey via trucks with expanded tank capacity.

The UN humanitarian “oil-for-food” agreement reached at the end of 1996 enabled Iraq to export limited quantities of oil. Under the auspices of the United Nations, Iraq resumed shipping oil in January 1997, with the maximum allowed quantity equal to \$2 billion over a six-month period. In the first half of 1997, Iraq’s crude oil exports have averaged 620,000 b/d, based on international benchmark prices.

Besides cutting oil sales, the sanctions froze billions of dollars of Iraqi assets in foreign countries. In addition, they required (or allowed for) Iraq to halt payments of infrastructural and other works performed by foreign companies, including firms from the former Yugoslavia, Romania, Russia, France, Germany, Italy, South Korea, and others. The total outstanding bill for these projects is enormous. Iraq owes approximately \$11 billion to Russian and French companies alone. One South Korean firm claims to have abandoned \$1 billion worth of machinery in Iraq for which it intends to seek compensation. Turkey claims to be owed several billion dollars as a result of the sanctions-induced closure of two pipelines which had been used for the export of Iraqi oil to the Mediterranean port of Ceyhan. Foreign corporate claims amount to about \$61 billion.

During the Iran-Iraq War, Saudi Arabia provided the Iraqi regime with as much as \$60 billion. Kuwait contributed an estimated \$18 billion to Baghdad's war chest. Realistically, these sums cannot be repaid under the present circumstances, nor indeed are they likely to be repaid under the current leadership. These amounts, added to demands by various governments for compensation and reparations, are in excess of \$100 billion. For Iraq to repay these debts would require not just years, but generations, of toil.

While the bills seem daunting to many countries, Iraq's oil wealth is daunting. Iraq's proven oil reserves rival those of Saudi Arabia. Iraq's oil production is expected to return to around 3 million b/d once sanctions are lifted. Moreover, the Iraqi authorities have already prepared a major list of construction and reconstruction projects for the petrochemical industry. These projects, which will be undertaken as soon as legally permissible, include:

- Maintenance works at the northern refineries, including the construction of hydrocracking units, hydrogen units, a second lube oil train, and the treatment of industrial waters
- Maintenance of the Basra lube oil plant
- Reconstruction of damaged storage tanks and building new tankage
- Building of a central refinery
- Upgrading of the southern and northern refineries

These projects are linked to the increase in domestic demand for middle distillates and gasoline; they do not even take into account Iraq's aim to resume exports to South East Asia and the Far East. Once sanctions are lifted, Iraq will lose no time in joining Saudi Arabia and other Gulf countries in the competition to export refined products to the booming Asia-Pacific market.

The UN oil-for-food deal has to some extent ameliorated Iraqi-Turkish relations. As a result of the UN humanitarian program, Turkey has opened a second crossing into Iraq and has issued a new regulation permitting trucks to carry eight tons of oil by-products, doubling the previously permitted load. At the current traffic rate, this will enable Iraq to carry about 240,000 b/d of refined products to Turkey. Meanwhile, oil publications have estimated that the present traffic of 500 trucks per day can multiply by a factor of ten as the program continues.

Until now, the coalition has not considered the lucrative trade in refined products a violation of the sanctions regime. Some speculate that the coalition has turned a blind eye to this practice in exchange for the continued use of Turkish air bases to cover the "no-fly" zone over Kurdistan. There are no signs that this tacit understanding will change any time soon.

Pipelines constitute another aspect of the Iraqi economic panorama. The experiences of the past ten years have taught oil producers and consumers the importance of diversifying supply routes. Pipelines will multiply, especially in the Caucasus, Central Asia and around Iran. There is every reason to believe that Iraq will follow suit. In fact, unlike other Arab producers, Iraq long ago diversified the outlets for its oil and gas exports. Iraq already has pipelines to Um Al Qasr in the Persian Gulf; through Saudi

Arabia to the Red Sea; via Turkey to the Mediterranean; through Syria to the Mediterranean; and through Jordan to Aqaba.

The reopening of the Saudi and Syrian lines will be politically costly to Iraq. However, Iraq may be willing to make political sacrifices in order to expand its supply network and gain the revenue the exports will generate. Iraq has never enjoyed friendly relations with its neighbors; typically, Iraq has paid a price for cooperating with them.

The pipelines through Jordan and Turkey are partially operational, and their capacity is expected to be enlarged eventually. Meanwhile, Iraqi officials are already discussing new gas pipeline projects with Brazilian, Chinese, Indian, and Malaysian companies.

Iraqi authorities and foreign companies have been preparing to resume business once sanctions are lifted. A number of Western countries (e.g., Italy and France) have already set up trade offices. European, including British, business delegations have visited Iraq; American business representatives have likewise done so, albeit in an unofficial capacity. As a result of this prepositioning, Iraq has completed basic oil contracts with China, the French firms Elf and Total, Italy's ENI, and Russia's Lukoil for the development of major oil fields along the border with Iran. Iraq has also signed contracts for business activity in non-oil sectors.

Some time ago, Turkey and Iraq set up a joint economic committee. Jordanian businessmen have resumed their pilgrimage to Iraq despite the changes in political relations between Amman and Baghdad. This is due, in part, to the political stagnation in the Arab-Israeli peace process. Israeli prime minister Binyamin Netanyahu's policy has led to a complete freeze in the nascent Arab-Israeli business relationship. There is no Jordanian interest in joint ventures with Israelis now that Egyptian president Husni Mubarak has stopped the so-called "Peace Pipeline" from Egypt to Turkey via Gaza and Lebanon.

Iraq's needs and the interests of international business are clearly complementary. In purely economic terms, Iraq is an attractive investment site for firms engaged in communications, compressors, computers, construction, electrical power, financial services, household appliances, mechanical engineering, medical supplies, oil, petrochemicals, and steel. Given the scale of Iraq's infrastructure needs, it is probably the only Arab country that will offer direct investment opportunities for foreign enterprises. Furthermore, unlike many other Arab countries, Iraq possesses a skilled workforce, especially in mechanical engineering.

Major compensations and claims by the international community will remain a moot subject until, Iraq's economy resumes functioning. Ironically, the revival of Iraq's economy may be needed as much by the rest of the world as by the beleaguered Iraqi people.

### **The Political Aspect**

Currently, the Middle East seems to be undergoing another in a continual series of sea changes. Since 1990, two major developments have affected the strategic thinking in the Middle East: the peace process between Israel and its neighbors, and the increased US military presence in the region.



The peace process has created the possibility that Israel may eventually sign peace treaties with all Arab countries. For Israel, and perhaps Washington as well, the underlying purpose of the peace process has been to bring this to fruition. Not unless and until Israel concludes peace treaties with the Arab world's most formidable powers, namely Syria and Iraq, will the country's security—a crucial element of a lasting peace—be assured. In fact, only Syria and Iraq can give the strategic depth to the process which would allow the parties to legitimately use the word "peace."

The importance of the pursuit of peace between Israel and its neighbors has altered Israel's relationship with Iran. Unlike during the period of the Shah's reign, Israel does not have a vital strategic interest in cooperating with Iran. The peace process has altered the strategic thinking in Israel. The peace process created the possibility that Iraq may become a friend of Israel, and Iran its enemy. In fact, Israel's strategy of demonizing Iran originated at the time that the Madrid peace process commenced, and was subsequently implemented by an effective press campaign in the United States and Europe. Uneasy relations with Iran may provide an incentive for Iraq to pursue a *rapprochement* with Israel.

The second major development over the past six years has been the unprecedented, overwhelming US military and political presence in the Gulf region. During the 1960s and 1970s, US policy makers would have considered the current bilateral military agreements as "the stuff of which strategic dreams are made."

*Vis-à-vis* Iraq, a country with which the United States does not have a military defense agreement, the power of the United States is daunting. Nevertheless, US power in the region is a doubled-edged sword. It is difficult to manage that power. Strategically, US power will not be a liability for as long as Iran and Iraq are perceived as threats to their neighbors. The departure or significant drawdown of US forces does not appear imminent. Although US ground troop deployments may be the first to be questioned, the American naval presence is likely to remain in place for quite some time.

Now that the American military presence has been established, countries which oppose it will have to pay a steep price to gain the reduction or removal of US forces from the Gulf. They will have to choose with which currency to pay: a change in their foreign policies or a change in their economies. One can envisage, however, the possibility of a "grand bargain" whereby US forces in the region are gradually reduced in exchange for less threatening behavior by Iran or Iraq, or both. It is here that regional powers may yet be more imaginative than others.

### **The Weapons of Battle**

Iraq is politically weaker and economically poorer than at any time since the late 1960s. Moreover, Iraq's military capability has been dramatically reduced. At the same time, Iraq remains a country of considerable regional and international importance, primarily due to its geopolitical location and oil resources. Indeed, it can easily be considered one of, if not the primary, "jewel of the crown" of the region. In the spring of 1997, an economic analysis of the world's emerging economies described Iraq as the only potential candidate for foreign direct investment in the Arab Middle East.

Iraq's political and economic assets rival those of its natural resources. Iraq has a labor force of technical experts, especially in mechanical engineering. Iraq is regarded by some as occupying pivotal anti-Iranian and anti-Kurdish roles. Iraq enjoys military, economic and intelligence ties with Moscow, and strong financial links with Paris. At least in some quarters, Iraq evokes pan-Arab symbolism. In addition, Iraq has the strategic role as a potential destabilizer of Syria and Saudi Arabia. A good player can use these weapons selectively and effectively *vis-à-vis* different interlocutors.

Iraq's leadership has never regarded any of its Arab counterparts as its equal. Accordingly, Iraq's principal interlocutors have always been outside the Arab world. Indeed, Iraq's biggest enemies include Iran, Israel and the United States. Iraq's primary partners have been the Soviet Union, China and France. During the Gulf crisis, President Saddam Husayn seemed disinterested in communicating with intermediaries and determined to deal exclusively with Washington.

Although Iraq's assets are of great interest to many, they have no value within the framework of the UN resolutions as currently constituted. Unlike during the Iran-Iraq War, Baghdad cannot bargain its anti-Iranian role at the Security Council. It cannot capitalize on its destabilizing potential with respect to Syria in the corridors of New York. Nor can Iraq place oil exploitation contracts on the table of the Security Council. Thus, the lifting of sanctions, if and when this occurs, is not likely to result from Iraq's fulfillment of UN requirements, but rather from a game played on another table with other assets.

Iraqi assets can be used at the bilateral, regional and intra-Arab level. The collapse of the Arab-Israeli peace process, since the coming to power of Prime Minister Netanyahu, has created an opportunity for Iraq to use one of these assets. It is well known that the road to Washington passes through Tel Aviv (or perhaps through Damascus and then Tel Aviv). Iraq has much to offer Israel, including oil that Saudi Arabia refuses to sell and an additional pressure point against Syria. An Iraq-Israel *rapprochement* would effectively reduce Syria's strategic importance; moreover, the need for Israel to negotiate with Syria would dissipate, and the Golan Heights would remain in Israeli hands. In exchange, Iraq could seek Israel's good offices to win US approval for the lifting of UN sanctions. If Israel were to accept Baghdad's offer, could Washington be more royalist than the king? In the case of Iraq, Saddam Husayn has displayed an uncommon capacity for doing the unexpected.

It is not inconceivable that Damascus will just wait and see. Even at the time of the negotiations between the Rabin government and Syria, many suspected that Syrian president Hafiz al-Asad would not have signed an agreement alone. There were indications then that he wanted to bring Iraq into the fold, albeit in exchange for the lifting of sanctions against Iraq and undoubtedly at some cost to Iraq. Thus, both Syria and Israel have a reason to court Iraq. These two countries—ironically, Iraq's enemies—are the most likely candidates to assist Iraq in emerging from its pariah status and crisis state.

### **The *Casus Belli*: The ARAMCO Syndrome**

Given that surprise is the operative word in the Middle East, it is conceivable that

not much value is given to oil in Baghdad. Iraq still believes that the United States depends on Iraqi oil, though this assumption has become less valid as the years have progressed. It is still the case, however, that US oil companies have a great deal to offer Iraq's oil industry. Might Iraq be tempted by the economic and financial support which US firms could provide, at the expense of many years of cooperative relations with the governments of China, France and Russia? The intelligence community of at least one of these foreign powers is highly concerned that an "ARAMCO-like business relationship" may develop whereby US oil companies dominate Iraq's hydrocarbon resources. Russia and France have already served notice that they intend to forestall this.

The battle for and against the possible development of an "Iraqi ARAMCO" arrangement is already being waged. French and Russian oil companies have positioned themselves in Iraq to start business immediately after sanctions are lifted. Nevertheless, the United States has much more to offer Iraq than its competitors, including the influence which it can exert over the Bretton Woods institutions. The political advantages of the United States and Iraq working together against Iran could also be considered a lure.

Clearly, Russian officials are aware of these possibilities, and recognize the economic and political damage that the "loss" of Iraq to the United States would inflict on Moscow. Consequently, Russia will wage a battle for Iraq with limited resources, but with fierce determination. The "dual containment" policy of the United States has already contributed greatly to excellent relations between Moscow and Tehran. Iran today is the largest buyer of Russian manufactured goods, cooperates with Moscow in supporting Armenia and works together with the Russians to solve the Tajikistan and Afghani crises. From the Russian perspective, the benefits gained from the US policy towards the Gulf may well extend to Iraq. The Russian Federation has succeeded in keeping its good relations with Washington despite aggressively courting Iraqi officials in an effort to obtain a major foothold in the country's oil sector. Russian oil companies are prepared to begin operations in Iraq as soon as the sanctions are lifted. French companies are likewise poised to begin operations, buoyed by the assertive Middle East policy followed by the French government since early 1996.

Iraq is apt to encounter more suitors than foes. These may include unlikely bedfellows such as Israel and Syria. Countries like China and Malaysia will also join the battle, with technology coming from Beijing and direct investments coming from Kuala Lumpur. It will be a battle for the soul of the Iraqi nation and, to some extent, a battle for the soul of the Arab nation.

Indeed, the battle for Iraq will be waged by an ever-growing number of contenders. Throughout the Middle East, as well as in areas lying on its periphery, rivalries and relationships are taking shape that possess startlingly unfamiliar features. Around the Caspian, the paradigms of the past are being swept away, and a future unfolds that many experts believed unthinkable five years ago. Azerbaijan opened its doors to \$20 billion in investments by Western oil companies, and investment by Israelis. Meanwhile, Armenia linked its electrical grid to that of Iran, and has received military supplies from Tehran. Recently, Turkmenistan transferred control of most of its oil fields from its own national oil company to Monument Oil of the United Kingdom and Mobil



of the United States, while asking the National Iranian Oil Company to revamp the Israeli-managed refinery in Turkmenbashi.

Even under severe and prolonged economic and political restraints, Iraq is still a major player in the game. In fact, Iraq has more options today than it did seven years ago. In the Middle East, as in other regions, individuals are more important than money and weapons in determining the future. As Winston Churchill said: "There is no history, only biographies."

# Iraq's Regional Policies in the 1990s: From Regional Superpower to "Superpauper"

Ahmad S. Hashim

**T**his chapter analyzes Iraq's regional policies since the end of the Gulf War in the context of the ideological, diplomatic and geopolitical underpinnings of Iraqi regional behavior over the three decades of Ba'athist rule. Given the enormous pressures which the regime and the country experienced in recent years, it may seem unrealistic to suggest that Iraq maintained, or might soon acquire, the ability to conduct a regional policy of any kind. Yet, paradoxically, although Iraq's power greatly dissipated, its strategic importance in the region has not.

Chiefly as a result of the UN sanctions regime, Iraq possesses only nominal attributes of sovereignty. Since the Gulf War, a significant part of Iraq's instruments of national security have been destroyed or dismantled. With the exception of the "oil-for-food" arrangements mandated by UN Security Council Resolution 986, Iraqi oil exports ceased, bringing the country's already debilitated economy to the brink of collapse. In the minds of the old guard Ba'athist elite, which has been rendered irrelevant by the bloody and inexorable rise to power of Saddam Husayn and his family, not even the dark days of the late 1960s and early 1970s, when a weak Iraq was the playing field for foreign interests, can compare with the current nightmarish situation.

Yet, in spite of its distress, Iraq is a key player in the Middle East strategic balance of power. Iraq's importance in the region is acknowledged by every Middle Eastern country. In fact, many of Iraq's neighbors engaged in unsuccessful efforts to reshape Iraq's domestic politics in order to bring it to their side in the overall correlation of forces in the region. Iraq's importance in the Middle East is also recognized by Iraq's rulers. Despite the country's travails and the regime's narrowing base of support, Saddam Husayn and his circle of followers hold to the conviction, however illusory, that Iraq will regain its status in the region under their leadership.<sup>1</sup>

## The Historical Context

In late May 1990, only two months before Iraq's invasion of Kuwait, Arab leaders attended a summit meeting in Baghdad to formulate a response to the three main post-Cold War challenges facing the Arab world: the decline of the Soviet Union, a country which had championed the Arab side in the Arab-Israeli conflict; the emergence of the United States as the sole superpower; and the apparent intransigence of Israel under Prime Minister Yitzhak Shamir's leadership, a position strengthened by a mass influx of highly skilled Soviet Jews.

To Saddam Husayn, if not to other Arab leaders, the Baghdad summit marked Iraq's emergence as the Arab superpower and the redirection of its power and regional policy towards the Arab world and Arab-Israeli conflict following the eight-year war with Iran.<sup>2</sup> By the time the Baghdad summit convened, Iraq had acquired considerable military assets, due in large part to the contributions of most Middle Eastern states and many countries outside the area.<sup>3</sup> In fact, Iraq had the most formidable war machine in the Arab world, and the second most powerful one in the Middle East after that of Israel. Iraq's victory over Iran—however narrow the margin and despite the costs—also earned the country some prestige in the region. It appeared to matter little that the Iraqi economy was in a parlous condition following the Iran-Iraq conflict. Judicious economic policies and the curtailment of military projects and weapons procurement seemed all that was necessary to ensure economic recovery, and thus set the foundation for Iraq to become an enduring regional power. In this heady, albeit short-lived period, during which Iraq was the Arab superpower, Saddam Husayn was at the pinnacle of his power. These were circumstances that Saddam clearly relished.<sup>4</sup>

Nevertheless, Saddam Husayn was dissatisfied with the lagging pace of Iraq's post-war recovery and longer term economic expansion. To Saddam, Iraq was a regional power with "feet of clay." In order to rectify this situation, Saddam Husayn needed a massive influx of capital. The path Saddam chose to overcome these financial difficulties was the application of pressure upon, and ultimately the invasion of, Kuwait.<sup>5</sup>

Iraq's aggression resulted in a crushing military defeat, economic collapse and domestic turmoil. It transformed Iraq from a regional superpower to a regional "superpauper." Since the Gulf War, Iraq's military power has atrophied. For eight years, Iraq has been unable to modernize or re-equip its armed forces. Morale in the Iraqi armed forces is low. Iraq's leverage in inter-Arab politics is also greatly diminished. Iraqi officials no longer host Arab summits. Rather, they are reduced to pleading with their Arab counterparts for understanding and support in their efforts to get UN sanctions lifted.

Despite these dire conditions, Iraq is not, as many analysts have suggested, a "failed" state. Moreover, these analysts neglect to point out that two horrendous wars and seven years of sanctions would have shaken the foundations of any state. Clearly, it will be many years before Iraq can reclaim the status of a regional superpower. However, one should not underestimate the resiliency of the Iraqi state, nor its potential to reemerge eventually as a regional power, given the country's vast energy resources, important geostrategic position and the Middle East's ever-changing political dynamics.



## Iraq's Post-Gulf War Bilateral Relations with Its Neighbors

### *The Gulf states*

More than any other group of states, the Arab states of the Gulf were those most threatened by Iraq's invasion and despoliation of Kuwait. In 1981, these states had formed the Gulf Cooperation Council (GCC), ostensibly to promote political, economic and cultural cooperation among like-minded monarchical states, but in reality to provide a measure of collective defense against a crusading Islamic Iran. During the 1980s, Iran had not fully tested the inadequacies of the GCC, but in 1990 Iraq did. With relative ease, Iraq routed Kuwaiti forces. This prompted even Saudi Arabia—which had painstakingly built its armed forces—to acknowledge its inability to fend off an Iraqi invasion. Meanwhile, the GCC's Peninsula Shield was exposed as a token collective defense force.

Given the military imbalance in Iraq's favor, Saddam's order to invade Kuwait forced the GCC states to call upon the West, especially the United States, for protection. Not surprisingly, these states were united in their condemnation of Iraq and fully supported the UN coalition in Desert Storm. The access to military bases provided by the GCC states to the UN coalition was indispensable to the latter's efforts to eject Iraqi forces from Kuwait. Furthermore, by extending this access after the war, the GCC states have contributed immeasurably to successful efforts to contain Saddam Husayn.

On the surface, the GCC states have appeared determined to see Saddam Husayn removed from power. A 1991 statement by 'Abdullah Bishara, a Kuwaiti and then-Secretary General of the GCC, expresses this sentiment: "the Iraqi regime is still there and remains a threat, although it is an anachronism. As long as this regime exists, we must stress our regional security."<sup>7</sup> Bishara's statement reflects the consensus that existed among the GCC states when the wounds of war were still raw. Three years ago, one could still argue convincingly that there was no hope for the restoration of Iraqi-GCC relations in the short-term. Currently, however, the situation is more complex.

The GCC states, like almost all of the other members of the United Nations, still collectively reiterate the condition that Iraq must adhere to all UN Security Council resolutions, especially those pertaining to the dismantling of its weapons of mass destruction. Yet, what is left unsaid is that, were the GCC states to support the lifting of sanctions, Iraq would reenter the world oil market. The addition of Iraq's 3 million b/d to this market would come at the expense of the Gulf Arab producers whose economies suffered greatly in the past seven years. No doubt, the GCC states prefer a weakened and isolated Saddam Husayn in power, rather than Iraq's full rehabilitation or a new regime that would seek the lifting of sanctions.

Whereas the GCC states have a common economic interest in maintaining the *status quo* in respect of Iraq, they no longer have a united approach towards Iraq. They have been dismayed by the periodic Western air attacks on Iraq, the socioeconomic costs of the sanctions on Iraq, and the disappearance of Iraq as a counterbalance to Iranian power. Moreover, many elites in these countries are convinced that Iraq is being destroyed, not to protect the GCC states from potential Iraqi aggression or to ensure the free flow of oil, but to prevent the Arabs from attaining a balance of power

*vis-à-vis* Israel.<sup>8</sup> Iraq has received a great deal of sympathy from the southern Arabian peninsular states. In late 1995, for example, the United Arab Emirates' ruler issued an emotional plea for Iraq's rehabilitation.

Meanwhile, Iraq has begun to adjust its tactics towards the GCC states. In the years immediately following the Gulf War, Iraq contributed to its negative image by waging vituperative verbal attacks on Gulf Arab leaders and by trying to appeal to the Gulf Arab populations over the heads of their rulers. Recently, however, Iraq has appeared to abandon this approach.

Nevertheless, Iraq's relations with the two key Arab states of the Gulf, Kuwait and Saudi Arabia, remain frozen. The positions of Kuwait and Saudi Arabia regarding Iraq are similar to those of the United States and Britain: unless and until Saddam loses power, there can be no stability in the region. The Kuwaiti Council of Ministers welcomes the periodic decisions of the UN Security Council to renew sanctions on Iraq. Kuwait's Crown Prince, Sheikh Sa'ad al-Abdallah al-Sabah gave a speech in September 1995 which highlighted Kuwait's almost paranoid suspicion of and hostility towards Iraq:

Saddam will never forget how his invading troops were evicted from our land, and he will never forget that one day he called your dear country "Iraq's 19th province." I am warning everyone, and in every language that everyone can understand without exception, that this regime in Baghdad will never let Kuwait be.<sup>9</sup>

Meanwhile, Iraq has tried on a number of occasions to reach out to Kuwait. In 1995 Iraq's Foreign Minister, Muhammad Said al-Sahhaf, declared:

In practical terms Iraq has acknowledged Kuwait's borders and its independence as a state. We have complied with all the UN resolutions. The relations between the peoples are more permanent and more important than the disputes. The treatment of wounds requires a political, cultural, and media dialogue to transcend the pains of the past and to catch sight of a peaceful future.<sup>10</sup>

However, Iraq's protestations that it has changed, and that it seeks an accommodation with Kuwait have evoked skepticism and derision in the emirate—with good reason. The Kuwaitis have not forgotten, nor will they soon forgive the rapes, murders, pillaging, and looting perpetrated by Iraqi forces. (Given the totalitarian pathology of the Ba'athist regime, it is inconceivable that Kuwaitis would have been treated any differently had they chosen not to resist the occupation of their country.) Even after its military defeat in the Gulf War, Iraq threatened Kuwait on several occasions.<sup>11</sup>

Yet, Kuwait bears some responsibility for perpetuating the conflict with Iraq. Kuwait's leaders have apparently failed to realize that relations with Iraq cannot be conducted permanently on the basis of revenge. They seem to think that Kuwait will always have a powerful benefactor to which to turn for protection. They also underes-

imate Kuwait's unpopularity in the West, in the Middle East and even among its GCC partners.<sup>12</sup>

Eventually, Kuwait will have to deal with Iraq. In anticipation of that fact, it is instructive to note that Saddam Husayn was not the first Iraqi ruler to express grievances *vis-à-vis* Kuwait. Nor will Saddam be the last Iraqi to do so, particularly if Kuwait persists in arguing that the only treatment Iraq deserves is subjection to sanctions for an indeterminate period. In fact, by accepting the patently punitive UN rectification of the Iraq-Kuwait border, Kuwait has done itself a great disservice.

The position of Saudi Arabia towards Iraq is not as unbending as that of Kuwait. Moreover, Saudi Arabia is in a transitional period. King Fahd, who suffered a stroke in 1996, is ailing. Crown Prince 'Abdallah, Fahd's designated successor, while not anti-American *per se* (as some analysts have falsely suggested) is less inclined to support a highly visible US military presence in Saudi Arabia or to continue procuring vast quantities of weapons. 'Abdallah might be willing to play a more active role in inter-Arab politics and has longstanding connections with Syria. What does this mean for Iraq? It is possible that Iraq would make a considerable effort to reach out to Saudi Arabia following the death of Fahd. However, it is unclear that 'Abdallah would or could reciprocate. He is a traditionalist, unlikely to want to disturb the political *status quo* in the region. Furthermore, at 77 years of age, 'Abdallah is likely to be a transitional king not given to dramatic gestures.

#### *The Hashemite Kingdom of Jordan*

Contemporary Iraqi-Jordanian relations cannot be fully understood without some historical background. At one point, both countries were ruled by different branches of the Sharifian Hashemite family from the Hijaz in Arabia. In 1958, these Hashemite monarchies joined forces to confront the hostility of the Al-Sauds, the rulers of Saudi Arabia, who had chased the Hashemites out of Arabia and who opposed the revolutionary pan-Arabist ambitions of Gamal Abd Al-Nasser of Egypt. In the very year that this Hashemite alliance was struck, however, the Iraqi monarchy was overthrown and a *soi disant* socialist republic was established under Abdel Karim Qasim. As a result, Iraqi-Jordanian relations remained cool for two decades.

From the time of the ascendancy of the Ba'athists to power in Iraq in 1968, King Husayn of Jordan was very suspicious of them. The presence of an Iraqi expeditionary force on Jordanian soil heightened the King Husayn's anxiety. He worried that this force might intervene in Jordan's domestic affairs (e.g., side with the Palestinians in the 1970 civil war). Although Iraq's Ba'athist leaders did not order a military intervention in Jordan, King Husayn remained mistrustful of them. On the domestic front, the relatively unknown and secretive Iraqi Ba'athists brutally eliminated their enemies and erstwhile allies. They waged a scorched earth counterinsurgency campaign against the Kurds. On the regional front, they denounced and threatened all Arab regimes, whether monarchies or so-called "socialist republics." They adopted an uncompromising position on Israel, and were embroiled in conflict with Iraq's more powerful pro-American neighbor, Iran. The vicious verbal assaults launched by the official Iraqi media against King Husayn further polarized the Jordanian monarchy and the Iraqi Ba'athist regime.<sup>13</sup>



After 1975, Iraq's regional foreign policy changed, and there occurred a corresponding improvement in Iraqi-Jordanian relations. The Iraqi Ba'athists resolved their conflict with Iran, sought an accommodation with other Arab states and expressed interest in the creation of a regional security system in the Gulf area. In the late 1970s, two important developments in the strategic landscape of the Middle East occurred that brought republican Iraq and monarchical Jordan together. First, the signing of the Camp David agreement removed Egypt from the Arab line-up against Israel, exposing Jordan to Israeli military power and Syrian interference in its domestic affairs. Meanwhile, on Jordan's eastern flank, Iraq emerged as a new Arab power, actively engaged in regional and inter-Arab affairs.<sup>14</sup>

Second, the Iran-Iraq War helped nudge Iraq and Jordan into a *de facto* strategic alliance. At the outset of the war, Iranian military actions rendered Iraq's ports useless. In 1982, Syria closed Iraq's oil export terminal and curtailed trade with Iraq. As a result, the sleepy Jordanian port of Aqaba on the Red Sea became a major lifeline for Iraqi imports. By providing goods and services to Iraq, Jordan's commercial and middle class benefitted considerably. Meanwhile, the Jordanian military provided the Iraqis with advice and expertise, and received in return badly needed Western weaponry (e.g., *Chieftain* tanks, captured from the Iranians). These exchanges, along with the rapport established between Saddam Husayn and King Husayn, fostered strong pro-Iraqi sentiments among the Jordanian populace. In fact, these economic and military ties, nurtured by the Jordanian elite, helped ensure that Jordan's population remained heavily pro-Iraqi during the Gulf crisis.

Even after Iraq's defeat in the Gulf War, the Jordanian government maintained a pro-Iraqi stance. However, by 1994, King Husayn had become irritated by Iraq's manner of dealing with the United Nations and the international community. He felt that Saddam Husayn and his closest supporters were excessively preoccupied with maintaining Iraq's remaining weapons of mass destruction and not concerned enough with the disastrous impact of sanctions on the Iraqi population. Moreover, King Husayn began to express frustration with Baghdad's unpredictability. In October 1994, when Iraq massed two divisions on the border with Kuwait, thereby precipitating an international crisis, King Husayn publicly advised Saddam not to repeat his past "mistakes." In late 1995, King Husayn used the opportunity provided by the defection of Husayn Kamal (Saddam's son-in-law and a senior figure in the ruling circle) to draw closer to the Iraqi opposition to Saddam and to consider an alternative Iraqi leadership. In 1996, with strong encouragement from his pro-Western and anti-Iraqi prime minister, Al-Kabariti, King Husayn aggressively attempted to bring together Iraq's fractious opposition. Yet, nothing came of these efforts. In fact, in fall 1996, the Iraqi regime dealt a serious blow to northern-based opposition groups when it sent forces into Iraqi Kurdistan to support Mas'ud Barzani against Jalal Talibani. Meanwhile, the Iraqi intelligence service had infiltrated the Amman-based opposition groups, such as the National Accord.

In early 1997, King Husayn replaced Prime Minister Al-Kabariti with Al-Majali, who was less inclined than his predecessor to steer Jordan along an anti-Iraq path. Significantly, between 1994 and Al-Majali's appointment as Jordan's prime minister,

Iraq had not retaliated against Jordanian hostility. Instead, Iraqi officials bent over backwards to avoid direct or open criticism of Jordan.<sup>15</sup> In spite of the recent improvements in Iraqi-Jordanian relations that these developments have spurred, it is unlikely that they will regain their former closeness or strategic nature. Iraqi-Jordanian economic ties will remain intact, but Jordan is back in US favor and has signed a peace treaty with Israel. Both of these countries can exert pressure on Jordan to limit the extent of its improvement of relations with Iraq.

### *The Wider Arab World: Egypt and Syria*

During the Gulf crisis, a number of Arab states (e.g., Algeria, Mauritania, Sudan, and Yemen) provided Iraq with moral support, but these are among the weakest countries in the Arab world. In the wider Arab world, there are only two countries that can have a major impact on the reintegration of Iraq into the Arab regional system, namely, Egypt and Syria.

Egypt's president, Husni Mubarak, was one of the strongest critics in the region of Iraq's invasion of Kuwait. Moreover, Egypt's deployment of 30,000 troops to Saudi Arabia during the Gulf War—the largest non-Western contingent, if one excludes Saudi forces—was politically important. In response, Iraq accused Egypt's leaders of being Western puppets. Iraq failed to understand, or at any rate failed to accept, that Egypt could not acquiesce in the Iraqi annexation of Kuwait for many reasons, most of which relate to balance of power considerations. Traditionally, Egypt and Iraq have been rivals for political influence in, if not hegemony over, the Arab world. For Egypt to have accepted Iraq's absorption of Kuwait would have been tantamount to an endorsement of Iraq as the leading Arab power, at the expense of its own regional ambitions. It would have also conceded to Iraq a larger role in determining the Arab approach to the conflict with Israel. For Egypt, this could have had potentially disastrous consequences, for Iraq had never been a central player in the Arab-Israeli conflict, nor for that reason had Iraqi officials appeared to understand the subtle dynamics of Arab interactions with Israel.<sup>16</sup> Finally, it was possible that Iraq might threaten the other Arab states of the Gulf, upon which Egypt had relied since the late 1960s for financial subventions and the export of its surplus labor.

By the mid-1990s, Iraqi-Egyptian animosity had greatly dissipated. Iraq sought to break through the wall of Egyptian hostility for a number of reasons. First, given its importance in regional affairs, Egypt was the one Arab country which could do the most to reintegrate Iraq into the Arab world. Second, among the countries of the Arab world, Egypt was bound to be most profoundly affected by, and thus to understand clearly, the implications of Iraq's absence from the regional balance of power; namely, heightened threats to Arab national security posed by Israel, Turkey and Iran. Indeed, over the past few years, Egyptian (and Syrian) strategic analysts have lamented the destruction of Iraqi military capabilities. Iraq has exploited these misgivings by supporting the Egyptian position that Israel's unilateral possession of nuclear weapons is a dire threat to Arab national security. Meanwhile, Iraqi officials have reiterated their long-held view that there can be neither peace nor stability in the region without a balance of power between the Arab world and the "countries which threaten it."



As early as 1993, Husni Mubarak stated that the restoration of Egyptian-Iraqi relations was only a matter of time. Indeed, by late 1995, Egypt's position towards Iraq had softened. Egyptian foreign minister, 'Amr Musa, is a strong advocate of the reintegration of Iraq into the Arab fold. Egypt and Iraq re-established diplomatic relations at the *charge d'affaires* level. Egypt reopened its trade center in Baghdad, and allowed Egyptian workers—who once numbered almost two million—to return to Iraq.

Nevertheless, the Iraqi-Egyptian *rapprochement* is bound to be a limited one. These two countries are condemned to be geopolitical rivals in the Arab world. In addition, Egypt perceives Iraq as a maverick in inter-Arab and inter-regional affairs.<sup>17</sup> Unlike Egyptian-Iraqi antagonism, which is a relatively recent phenomenon fuelled by Iraq's invasion of Kuwait, Syrian-Iraqi friction is longstanding. The enmity that has existed between Syria and Iraq since 1969 is attributable to personal, ideological, politico-strategic, as well as economic factors.<sup>18</sup>

Mutual animosity between Iraqi President Saddam Husayn and Syrian President Hafez al-Asad may or may not have been an important source of Syrian-Iraqi antagonism. Middle Eastern politics are highly personal in nature. Therefore, it would not be surprising if these two men—both of whom come from minority groups within their respective countries and have regional ambitions—were to have developed an intense personal rivalry that, in turn, has some impact on Syrian-Iraqi relations.

Ideological differences have been a major cause of Iraqi-Syrian conflict. Both countries are Ba'athist states. Ba'athism is a form of Arab nationalism which calls for a sweeping renewal or regeneration of the Arab world. Ba'athism does not lend itself to two centers of power any more than Marxist-Leninism did in the early 1960s, when the Sino-Soviet split occurred. The Ba'athist regimes in Baghdad and Damascus often denounced each other. This ideological sparring spread to Ba'athist parties in other Arab states.

The political and strategic rivalry between the two states has also been intense. Syria saw the growth of Iraqi power between 1975 and 1980 as both an opportunity and a threat. In the 1960s, when Iraq was militarily weak and preoccupied with internal problems, Syria had not viewed Iraq as providing strategic depth against Israel. However, in the late 1970s, circumstances changed. To compensate for Egypt's defection from Arab ranks in 1979, Syria and Iraq sought to form a political union and common military front against Israel. When Iraq appeared to use this as an opportunity to establish geopolitical paramountcy over Syria, Syrian officials strenuously objected. One year later, when the Iran-Iraq War broke out, Syria castigated Iraq for making an enemy out of revolutionary Iran, which President Asad viewed as a potential partner in the conflict with Israel. In an effort to prevent an Iraqi strategic victory over Iran, Syria provided substantial military help to Iran, and closed the Iraqi oil pipeline to Baniyas.

Iraq emerged from the Iran-Iraq War bent on repaying Asad for his support of Iran. Saddam sought to isolate Syria in inter-Arab affairs by proposing the formation of the Arab Cooperation Council (ACC) which would tie Iraq, Egypt, Jordan, and Yemen in a political and economic bloc. Iraq also advocated a military aspect to this bloc. Although Egypt was not particularly enthused about the military aspect of the ACC, Jordan, a militarily weak state, appeared to favor the idea. Syria (like Israel) was



alarmed by this possibility. In a further effort to undermine Syria's position in the Levant, Iraq supplied weapons to General Michel Aoun in Lebanon.

Given this record of Syrian-Iraqi hostility, Syria's opposition to Iraq following the latter's August 1990 invasion of Kuwait was inevitable. A further accumulation of power by Iraq was inimical to Syrian interests. For one thing, it might have enabled Baghdad to dictate the guidelines of inter-Arab politics. For another, it might have given Baghdad the ability to persuade the militarily weak, but oil-rich GCC states to terminate their financial subventions to Syria. President Asad bitterly castigated Saddam Husayn for failing to understand the global strategic upheaval which had left the United States the sole superpower, and for squandering the Arabs' potential military power against Israel for a second time.

In the wake of the Gulf War, with Syria in a stronger position than Iraq, Asad began to seek an improvement in bilateral relations. In March 1992, Iraqi technicians and petrochemical engineers reportedly visited Damascus to discuss the reopening of the 650-mile Kirkuk-Baniyas oil pipeline, which had been closed since 1982. However, in the early 1990s mutual suspicion was still too entrenched and Syria was too preoccupied with the Arab-Israeli peace process for any significant progress in Iraqi-Syrian relations to occur.

In mid-1996, reports again surfaced that both Iraq and Syria were seeking a way out of their decades-old hostility. Rumors that Asad and Saddam met secretly on the Iraq-Syria border in early 1996 have not been substantiated. However, there were good reasons for these countries to seek a *rapprochement*. Iraq has always been ready to exploit any crack in the wall of isolation. A *rapprochement* with Damascus offers a way for Baghdad either to try to drive a wedge between Syria and Iran or to serve as a channel of communication with Iran.

By 1996, Syria too appeared somewhat isolated. The peace process with Israel had virtually collapsed when Likud leader Binyamin Netanyahu was elected prime minister of Israel and asserted that Israel would never return the Golan Heights to Syria. A war of words erupted between the Israeli and Syrian governments. Syria reaffirmed its strategic understanding with Iran, while at the same time viewing Iraq as its strategic depth against Israel. The signing of the Jordanian-Israeli peace treaty and the disclosure of the details of an Israeli-Turkish military agreement accentuated Syria's sense of encirclement.<sup>19</sup>

This unfavorable strategic situation was bound to force Iraq and Syria to reconsider their deep-seated mutual hostility, but any strategic alliance which includes these two countries and Iran seems along way off. It is far from clear that Syria and Iraq, let alone Iraq and Iran, can resolve or set aside their differences any time soon and thus enter into a meaningful strategic alliance. Moreover, regional and international forces would work to ensure that such an accord remains a bloc of weak pariah states. Egypt and the Arab states of the Gulf have looked upon the Turco-Israeli accord with suspicion, but they are unlikely to consider sanctioning a counter-bloc which contains two states with which they and their Western mentors have considerable differences. For their part, Turkey and Israel do not give a fig for Arab or Iranian sensitivities, nor, given their enormous military power, do they need another regional state to join them.

In any case, their strategic understanding has the backing of the United States, the sole superpower.

### *The Islamic Republic of Iran*

Relations between Iraq and Iran have consisted of continuing tensions and overt hostility. Over the past eight years, Iraqi and Iranian officials have made periodic statements indicating that both sides want to improve bilateral relations. Yet, no substantive positive developments have occurred. Not even US hostility towards both countries has succeeded in bringing them together. The objective of the US policy of "dual containment" is to maintain political and economic pressure on both countries: in the case of Iraq, until Saddam Husayn falls from power; and in the case of Iran, until the regime modifies behavior that the United States finds objectionable. The Iraqi leadership did not view the July 1997 election of Mohammad Khatami to the Iranian presidency as an opportunity for improvement in either bilateral Iraqi-Iranian relations or even Arab-Iranian relations.

There are deep-seated ideological, political, territorial, and geopolitical differences between Iraq and Iran. Iraq and Iran have always been strategic rivals in the Persian Gulf. Relations between the two were never warm when the Shah was in power, and sharply deteriorated following the Iranian Revolution. Iraq's fears of Iranian attempts to export Islamic revolution to Iraq was a fundamental cause of the Iran-Iraq War, as were Iraqi attempts to gain geopolitically and territorially at Iran's expense following the collapse of Iranian military power. Iraq's demonic portrayal of Iran as a racial enemy of the Arabs and of true Islam (Sunni or Shi'ite) during the Iran-Iraq War accentuated the chasm between them.<sup>20</sup>

Moreover, trust between the two sides—an essential element for any meaningful *rapprochement*—is nonexistent. What could occur is a temporary and tactical *rapprochement* (e.g., the 1939 Molotov-Ribbentrop Pact) between two sides that have absolutely no faith in one another. It is not difficult to discern why Baghdad and Tehran are intensely suspicious of one another and have not signed a peace treaty a decade after the end of their war. Iranian officials have studiously maintained that Saddam Husayn cannot be trusted to adhere to agreements. After all, he tore up the 1975 Algiers Agreement, which had equitably settled a major territorial dispute between the two neighbors. Moreover, he turned on Kuwait, one of his main backers during the Iran-Iraq War. If Saddam treats his friends and Arab cousins in such a manner, how will he treat his enemies or strangers?<sup>21</sup> Iraq, for its part, believes that Iran is untrustworthy. After Iraq's defeat in Desert Storm, Iran's support for, or encouragement of, Shi'ite rebels in southern Iraq stunned the Iraqi leadership. Saddam Husayn bitterly denounced the Iranians for having thrust the "poisoned dagger" into Iraq's back.<sup>22</sup>

### *Turkey*

Turkey is the other non-Arab state bordering Iraq, thus giving further meaning to the notion that Iraq is the "eastern flank of the Arab world." From the mid-1970s until the Iraqi invasion of Kuwait, Iraqi-Turkish relations were cordial, even close. Turkey condemned the Iraqi invasion of Kuwait and participated in the UN coalition against

Iraq by allowing coalition planes to fly strike missions against Iraq from the air base at Incirlik and stationing thousands of troops on the border with Iraq, forcing the latter to maintain units along their common frontier.

Bilateral relations were strengthened by the fact that both countries were secular and highly nationalistic states committed to economic development and modernization at a time when Islamic fundamentalism was growing stronger in the region. Moreover, both countries avoided interference in each other's domestic affairs. This stands in stark contrast to the situation prevailing in the rest of the Middle East, where states are constantly meddling in each other's domestic affairs. There are salient reasons why this did not exist in Iraqi-Turkish relations. Turkey's national ideology, Attaturkism, called for Turkey to have good relations with neighboring states. This wise, but now increasingly untenable policy, was helped by the Turkish decision to turn their backs on the Middle East and to focus their energies on developing ties with Europe.

Iraq, for its part, had no ideological, ethnic or territorial claims on Turkey. Iraqi Ba'athism, a pan-Arab ideology, had nothing to do with the Turks. Indeed, in contrast to its constant complaints about the dispossession of the Palestinians by the Jews and the Arabs of Arabistan in the Iranian province of Khuzistan, Iraq hardly ever, if at all, mentioned the Arabs of the Sanjak of Alexandretta, now living in the Turkish province of Hatay, bordering Syria.

During the 1970s and 1980s, Iraqi-Turkish commercial and economic ties significantly increased. Turkish construction companies played an important role in Iraq's modernization campaign. Moreover, an oil pipeline was built from Kirkuk through Turkish territory to the Mediterranean port of Ceyhan. Trucks carrying a variety of Turkish and European manufactured products used the highways to bring imports into Iraq.

Both Iraq and Turkey alike were hostile to the nationalist tendencies of the Kurds, a minority ethnic group that straddles the border between the two countries. Although historically, both countries had historically had problems with their respective Kurdish populations, in the early 1980s Iraq suffered more than Turkey from the effects of Kurdish dissatisfaction. In fact, during the Iran-Iraq War, when Iraqi forces were busy fighting the Iranians, the Turkish military took the pressure off Iraqi forces by attacking Kurdish insurgents who were using Turkish territory as a sanctuary.

This history helps explain why Iraq and Turkey began to seek a *rapprochement* with one another almost immediately after the end of the Gulf War. Iraqi officials who visited Ankara after the war stressed the need for normalization of relations. Turkey, which has suffered from the economic effects of the sanctions against Iraq—hitherto one of its biggest trading partners—has called for the lifting of these sanctions. Moreover, although Ankara supported the UN efforts to establish a Kurdish “security zone” in northern Iraq, the Turkish government has never supported Kurdish autonomy and has been deeply unhappy over the absence of Baghdad's authority in northern Iraq. Despite thinly veiled misgivings, Ankara initially looked upon the Iraqi Kurdish attempt to establish some semblance of self-rule under the umbrella of international protection, as a first step towards re-establishing some form of stability and security along its border with Iraq. However, the collapse of the Iraqi Kurdish experiment in self-rule



into bloody internecine conflict coincided with a dramatic acceleration of Turkey's problems with its own large Kurdish minority. The PKK, once an avowedly Marxist organization which seeks independence for Turkish Kurdistan exploited the power vacuum in northern Iraq to establish bases and training camps from which it launched border raids into Turkey. The Turkish response was inevitable: it was to launch increasingly larger and larger "raids" into northern Iraq in order to root out PKK infrastructure. Despite some ephemeral success, all that Turkey has done is to contribute to the misery and death that already existed in northern Iraq, alarm the Iraqi government and rouse the suspicion of the Arab world and of Iran.

For a variety of reasons, it is unlikely that Iraq-Turkish relations will return to the level of cordiality that existed in the 1970s and 1980s. Even before Iraq invaded Kuwait, Iraq and Turkey were mistrustful of one another. In 1989, Saddam Husayn expressed considerable annoyance with Turkey's massive Anatolian dam project which would slow the flow of water into Iraq. For its part, Turkey's uneasiness over Iraq's military power after the end of the Iran-Iraq War was expressed in terms of vague references to the threat posed to Turkish security by chemical weapons and ballistic missiles. The Turkish General Staff thus viewed the destruction of Iraq's massive arsenal in the 1990s as a considerable benefit. During Desert Storm, Turkey allowed the UN coalition to use Incirlik air force base to fly strike missions against Iraqi targets. In the past, Iraq had kept in check its fears of Turkey's membership in the North Atlantic Treaty Organization (NATO). In June 1983, Iraq (unlike Syria and Iran) did not express deep anxiety about NATO exercises in southeastern Anatolia. Since Desert Storm, Turkey's position as NATO's outpost in the Middle East has been a key issue in Iraqi-Turkish relations, and will remain so.

The Kurdish problem in northern Iraq and southern Turkey is going to be another key aspect of Iraqi-Turkish relations. The Kurdish problem is more complex than in the past when Turkey and Iraq cooperated to suppress Kurdish aspirations. In the future, if Iraqi-Turkish relations are hostile, Ankara could use Iraqi Kurds to put pressure on Baghdad, while the latter may use Turkish Kurds to put pressure Ankara. In late 1991, there were reports that Baghdad had armed the separatist Kurdish movement in southeastern Turkey.<sup>23</sup>

In the past five years, Turkey's foreign policy has retained its primarily European orientation, while focusing more than in the recent past on Middle Eastern affairs. In the 1970s and 1980s, Baghdad had greatly appreciated and benefited from Ankara's relative lack of involvement and interest in Middle Eastern geopolitical affairs and problems. The Turks, who disparage the Arabs, have always blamed the latter for the destruction of the Ottoman Empire, which Turks viewed as a workable multiethnic empire and a partnership between the two most populous members of the empire, Turks and Arabs. In this context, the Turks believe that they do not owe the Arabs anything. However, few, if any, secular Arabs regard the five hundred years of Ottoman domination as a glorious episode in their national history.

With Turkey's "return to the Middle East," all the historical, cultural and emotional baggage that divides Turks and Arabs has risen to the surface. This does not augur well for the stability of Turco-Arab ties as the region enters the

21st century. For example, the political chasm between Arabs and Iranians in contemporary times widened due to the use and misuse of history and cultural differences by the two sides. The Iraqis, who are past masters in the creation of official mythical historiographies, managed to raise the Persians into a sinister and insidious enemy of the Arab peoples since pre-Islamic times. In theory, this might help to ensure that Turco-Arab relations develop along a smooth path. Yet, in practice, a different leadership in Iraq is probably necessary for Baghdad to play a positive role in bridging the growing gap between Arabs and Turks. A diminution of the influence of the Turkish General Staff (which is a very anti-Arab and anti-Iranian body) over the formulation of Turkey's foreign policy is probably also necessary.

It may be too late for both Arabs and Turks to pull back from this downward spiral in relations, particularly in the light of dramatic changes in the strategic landscape in the past two years which threaten to drag Turkey into the Arab-Israeli conflict on the side of Israel. This brings us to the development of the Turco-Israeli strategic relationship. From Iraq's perspective, the Turco-Israeli strategic partnership gives the latter a strategic depth that it had not possessed in the past 50 years of conflict with the Arabs. Israel will have the ability to pressure Iraq, Syria, and Iran or to use Turkish territory to launch attacks on those countries.

Iraqi fears of Turkish irredentist ambitions *vis-à-vis* Iraq are bound to be a key aspect of future relations. During the Kuwait crisis, oblique references by Turkish officials and analysts to the so-called "lost *vilayet* of Mosul," which was once a part of the Ottoman Empire, but which is inhabited by Arabs and Kurds, and sudden Turkish concern over the plight of the "two million" Iraqis of Turkoman origin (they actually number no more than 500,000-750,000) alarmed Iraqis of all ideological persuasions. Iraq's anxiety rose when Turkish President Suleiman Demirel made a statement in May 1995 that there should be an adjustment in Turkey's borders with Iraq. Demirel made this statement just as Turkish forces concluded "Operation Steel" (at the time, the largest anti-PKK incursion that the Turkish military had undertaken):

The border is wrong. The Mosul Province was within the Ottoman Empire's territory. Had that place been a part of Turkey, none of the problems we are confronted with at the present time (i.e., unstable borders and separatist activities) would have existed.

President Demirel retracted this statement following negative reactions from Middle Eastern states, including the Iraqi government and all of the Iraqi opposition forces. Demirel's claims were gratuitous; they merely accentuated the differences between the two sides and affected Iraq (the weaker party). There is no possibility that the region or the world would accept a Turkish annexation of Mosul province. It would be neither morally nor legally different from Iraq's attempted annexation of Kuwait. Unfortunately, Iraq's Turkoman minority may ultimately be the losers as a result. In the future, Baghdad may look upon them as a fifth column. Iraqi treatment of any minority it regards as a fifth column leaves a lot to be desired!

## Conclusion

For the past 20 years, war and instability have characterized the evolution of Iraq's role as a major regional power. Iraq's rulers are primarily responsible for this. Since 1975, their acts of provocation, including the two invasions of neighboring countries they ordered, alienated most of the countries of the region. It was neither pre-ordained that Iraq would be such an unstable element in the Middle East, nor that Iraq's totalitarian pathology would lead the country down the path of irrational regional policy choices. It is wrong to suggest that choices made by Iraq's rulers were arrived at by irrational means, or that the goals themselves were irrational.

From the establishment of the Iraqi republic in 1958 to the mid-1970s, Iraq was a marginal player in regional politics. During this period, Iraq did not play a central role in the region's defining conflict (i.e., the Arab-Israeli conflict). There were several reasons for this. First, geographically, Iraq was not a confrontation state. Second, Iraq did not possess a strong military; moreover, for most of the 1960s, its armed forces were engaged in a debilitating counter-insurgency against the Kurds. Third, Iraq's domestic politics were highly unstable, consisting of struggles for power by, and among, the Iraqi Ba'athists.

The Ba'athists who seized power in 1968 concentrated on consolidating it. They eliminated their political enemies, wrested Iraqi oil resources from the Iraq Petroleum Company, established close relations with the Soviet Union, and sought to resolve the conflict with the Kurds. Behind all of these events stood Saddam Husayn. He understood that there would be no regional role for Iraq unless and until the country could stand on its own two feet. Meanwhile, between 1968 and 1975, vituperative attacks by Iraqi officials upon their neighbors (except Turkey) compounded Iraq's isolation from regional power politics. In retrospect, this ideological vitriol appears to have been a way for Iraq to compensate for its inability to play a more meaningful power politics role.

Between 1975 and 1980, Iraq emerged from its relative obscurity to become a regionally influential actor. Iraq accomplished this by gaining control of its oil resources, reaching an accommodation with its powerful neighbor and perennial enemy, Imperial Iran, and "settling" the Kurdish problem. The transformation of the Iraqi military from a counterinsurgency, to a large mechanized force also enabled Iraq to emerge as a major regional power. Indeed, over the period 1975-1980, the Iraqi military experienced the most dramatic growth of any of the Arab armed forces. Finally, Iraq settled its ideological problems with many of its neighbors. Iraq's development as a regional power did not appear especially threatening to its neighbors. Early in its emergence as a regional power, Iraq was an influential, but responsible player in Middle East power politics.

However, in the period 1978-1980, Iraq sought to use its newly attained power and influence to assume a leadership position in the Arab world. Iraq sought to do this by exploiting Egypt's "capitulatory" peace treaty with Israel. Subsequently, Iraq sought to capitalize on the dangers posed by revolutionary Iran to the Arab world. Iraq attempted, albeit unsuccessfully, to persuade Syria to establish an "eastern front" against Israel. Saddam's gambit against the Islamic Republic of Iran—designed to win a quick



military victory and thereby cement Iraq's position as the Arab world's preeminent military power—likewise failed. No one wanted Iraq to defeat Iran decisively. In the initial stages of the Iran-Iraq War, Iraq was embroiled in a seemingly intractable conflict; in the remaining five years of the war, Iraq fought for survival, relying on aid from the West and from the Arab Gulf states (which it had hitherto despised).

By 1987, Saddam had built an extremely large and seemingly potent military force that was trained to go on the offensive. In a series of battles between April and July 1988, the Iraqis destroyed the residual combat capabilities of an Iranian armed forces worn down by years of failed offensives. Iraq had demonstrated convincingly that it was a military power. Furthermore, it had developed a startling and worrisome arsenal of weapons of mass destruction. The latter provided its *entrée* to the Arab-Israeli arena, where tensions were high. As mentioned, Saddam was determined to set the parameters of Arab political and military options against Israel. The period 1988-1990 constitutes the second occasion when Iraq sought to establish itself as the paramount Arab power.

Yet, Iraq's power was brittle. The eight-year war with Iran had taught the Iraqi leadership the importance of the economic underpinnings of power. Instead of resolving Iraq's enormous debt problems by curtailing military expenditure and adopting economic reforms, Saddam Husayn took a short-cut, pressuring and then invading Iraq's wealthy neighbor, Kuwait. The rest, as they say, is history.

An influential regional role, let alone the status of paramount Arab power, is beyond Iraq's current ability and ambitions. Has the experience of two wars and disastrous sanctions transformed Iraq? Or, in our lifetime, will we witness a third Iraqi attempt to attain regional paramountcy?

## Notes

1. The view that Iraq is one of the key states in the Middle East and that the current leadership will lead Iraq out of its "dark age," (for which the outside world is solely blamed), is prevalent in the writings and public statements of Iraqi officials and analysts. For an excellent article on the social basis of power in Saddam's Iraq, see Thomas Kozinowski, "Noch ist Saddam nicht am Ende" (Saddam is not yet finished), *Tages-Anzeiger*, September 5, 1995 (on-line version).
2. For Iraq's role in the May 28-30, 1990 Arab summit, see Jim Muir, "The Baghdad Summit: Will It Be Seen as a Watershed?" *Middle East International*, June 8, 1990, pp. 3-4. For an extensive analysis of this period, see Ibrahim Karawan, "Arab Dilemmas in the 1990s: Breaking Taboos and Searching for Signposts," *Middle East Journal*, 48:3 (Summer 1994) pp. 434-39.
3. There are many accounts of the arming of Iraq, particularly those by the UN Special Commission (UNSCOM). For a recent study, see Mark Pythian, *Arming Iraq: How the US and Britain Secretly Built Saddam's War Machine* (Boston, MA: Northeastern University Press, 1997).
4. For Saddam's own interpretations of the challenges facing the Arabs, see the inter-

view with Karen Elliott House in *US Foreign Broadcast Information Service Daily Reports, Near East and South Asia (FBIS-NEA)*, July 3, 1990, pp. 16-25.

5. I am not suggesting that other motives were unimportant. There were, for example, Iraqi irredentist claims against Kuwait. Historically, these have bedeviled bilateral relations, and will continue to do so. Similarly, Iraq wanted to expand its short Gulf coastline. One of the lessons that Iraq learned from the war with Iran was that it will not be a major power in the Gulf until it has a viable maritime access to this waterway. The acquisition of Kuwait, which possesses the best natural harbor in the Gulf, would rectify this geopolitical defeat.
6. On Saudi military weaknesses, see Ahmad S. Hashim, "The Evolution of the Saudi Military: Force Structure, Capabilities and Doctrine," forthcoming paper for the National Intelligence Council.
7. Quoted in Anthony Cordesman and Ahmad S. Hashim, *Iraq: Sanctions and Beyond* (Boulder, CO: Westview Press, 1997) p. 201.
8. Over the past few years, this point of view has come out in my conversations with various GCC analysts. It also emerged in my discussions I had in London in 1993-1994 with Arabs from the Gulf. This is not a conspiratorial view of regional politics. Indeed, there is evidence to support it. Arab intellectuals say that those who most fervently support the use of the United Nations to perpetuate sanctions on Iraq would never openly admit that their war agenda included the goal of destroying Iraqi power to balance Israel.
9. *Jane's Defense Weekly*, October 7, 1995, p. 4.
10. *FBIS-NEA*, December 12, 1995, p. 37.
11. For more details on these episodes, see Anthony Cordesman and Ahmad S. Hashim, *Iraq: Sanctions and Beyond*, pp. 184-89.
12. The late King Faisal of Saudi Arabia once expressed his annoyance with Kuwait, saying: "That are two countries that are superpowers in today's world, the United States and the Soviet Union, and one country which thinks it is a superpower, Kuwait."
13. See Amatzia Baram, "Ba'athi Iraq and Hashemite Jordan: From Hostility to Alignment," *Middle East Journal*, 45:1 (Winter 1991) pp. 52-53.
14. On the positive transformation of Iraq from an isolated and unpredictable radical state, to a more moderate and pragmatic state, see Laurent and Anne Chabry, "L'Irak et l'émergence de nouveaux rapports politiques interarabes," *Études*, 88 (June 1980) pp. 5-23. We await in-depth and unbiased studies on the emergence of megalomaniacal tendencies in Iraqi regional behavior during the period 1988-1990.
15. See, for example, *Al-Hayat's* interview with Iraqi foreign minister, Muhammad Sa'id al-Sahhaf, in *FBIS-NEA*, October 5, 1995, p. 26.
16. I have touched upon this theme in Ahmad S. Hashim, "Iraq: Profile of a Nuclear Addict," *Brown Journal of World Affairs*, 4:1 (Winter/Spring 197) pp. 103-26.
17. These were the comments that an Egyptian official made to me four years ago. I believe that they are an accurate reflection of official Egyptian views at the time. The Egyptian perception of Iraqi regional behavior in the period 1988-1990 was

that this was the conduct of rude country cousins who needed to be instruction in the finer art of diplomacy.

18. See Moshe Ma'oz, *Asad: The Sphinx of Damascus* (New York: Grove Weidenfeld, 1989) pp. 112-13. For detailed analyses of Iraqi-Syrian conflicts and the relationship between Saddam and Asad, see Patrick Seale, *Asad: The Struggle for the Middle East* (Berkeley, CA: University of California Press, 1990) pp. 354-60; and Kamal Shehadi, "Trading Places: The Balance of Power and Prospects for Iraqi-Syrian *Rapprochement* in the 1990s," *Beirut Review*, 1:2 (Fall 1991) pp. 3-19.
19. On the Turco-Israeli accord, see "Arabs Slam New Israel-Turkey Accords," *The Middle East* (June 1996) pp. 12-14.
20. The depth of Ba'athist Iraq's hatred for and suspicion of Iran is clearly evident in Iraqi propaganda. See Nizar Fadil al-Samarra'i, *The Iran-Iraq Conflict* (Baghdad: Dar al Ma'amun for Translation and Publishing, 1982); and Tariq Aziz, *The Iraq-Iran Conflict: Questions and Discussions* (London: Third World Center for Research and Publishing, 1981).
21. This was the gist of a series of fascinating interviews I had in Tehran with Iranian scholars and officials in summer 1993.
22. Quoted in *FBIS-NEA*, July 29, 1991, p. 24.
23. Chris Hedges, "Iraqis are Arming the Rebel Kurds in Turkey's South," *New York Times*, October 20, 1991, pp. 1, 12.
24. Iraq's emergence in this period is the subject of a large, but uneven literature. See, for example, *Christian Science Monitor*, April 10 and July 17, 1980; *New York Times*, February 8, April 13, June 5, and June 22, 1980; Philippe Rondot, "L'Irak: une puissance regionale en devenir," *Politique Étrangere* (April 1980) pp. 76-84; Claudia Wright, "Iraq—New Power in the Middle East," *Foreign Affairs*, 58 (Winter 1979-1980) pp. 256-76.



# The United States and Iraq

Paul Wolfowitz

**T**he seven months following Iraq's invasion of Kuwait constituted one of the most remarkable periods of initiative in US foreign policy history. Under the leadership of President George Bush, the United States formed an extraordinary international coalition to oppose the Iraqi aggression and mounted a military campaign that achieved its objectives with exceptionally few casualties. President Bush demonstrated both uncommon diplomatic skill and the courage to take a series of difficult decisions—decisions that look deceptively easy in hindsight but which encountered vocal opposition at the time. This impressive personal performance, combined with the United States' newfound position as the sole remaining superpower, created an international consensus of unprecedented breadth and effectiveness. Indeed, the ability of the United States to take the initiative during this crisis was so remarkable that it created almost euphoric expectations about a “New World Order” in the post-Cold War world.

In unfortunate contrast, United States policy towards Iraq during the nearly seven years that have elapsed since the end of the Gulf War has been a disappointing story of missed opportunities. These squandered opportunities have considerably narrowed US options in dealing with Iraq.

This chapter examines US policy towards Iraq since the August 1990 invasion of Kuwait and considers the prospects for change in US-Iraqi relations. In particular, it explores the prospects for a more active policy to remove Saddam Husayn from power, without which Iraq continues to pose a threat to the region and US-Iraqi relations remain frozen. In considering the policy options available to achieve this goal, it is necessary to distinguish between the weeks immediately following the Gulf War (when opportunities to dislodge Saddam were greatest) and the subsequent time period. It is also important to distinguish between the probable and the merely possible—that is, between policies which have a high probability of effecting Saddam's removal and those which might increase the chances of Saddam's removal, but which, if unsuccessful, might not necessarily improve the situation.

## The Roads Not Taken

### *The Bush Administration*

In the weeks immediately following the Gulf War, the Bush Administration was slow to recognize the importance of removing Saddam from power. There were several reasons for this failure. One reason was the nature of the consensus regarding war objectives. The United Nations resolutions and, more importantly, the US Congressional resolutions that gave President Bush his political mandate, focused almost exclusively on the goal of ejecting Iraqi forces from Kuwait. Given the very narrow margin by which the President prevailed in the Congress, it is extremely doubtful that he would have received the necessary support had he declared that the objective of the war was Saddam Husayn's removal from power. Certainly, a major responsibility for the failure to pursue more ambitious aims rests with those who opposed the use of force even for more limited goals.

Had it not been so difficult to mobilize a national consensus for the limited goal of ejecting Iraqi forces from Kuwait, the Bush Administration might have given more serious consideration to the problem of Saddam Husayn's remaining in power. However, there was no consensus within the Administration on the importance of removing Saddam Husayn. In my view, this reflected a failure to appreciate the damage that would be done by Saddam's continuation in power. In turn, this failure stemmed from the mistaken belief that only Saddam, or a ruler almost as brutal as he, could hold Iraq together. This belief fostered the opinion that the gain realized by removing Saddam might not be worth the price paid to effect it. In fact, a looser and more consensual government in Baghdad than the present regime is probably the only political arrangement that can reconcile the disparate elements of Iraq's population to the rule of central government.

Whatever the risks of an Iraq without Saddam Husayn, the leaders of most of our Arab coalition partners made clear that any alternative was better than Saddam's continuation in power. The Saudi leadership in particular expressed this conviction, although there were some erroneous news reports at the time claiming the opposite. In retrospect, the United States would have benefitted from having paid more attention to Saudi concerns about the consequences of Saddam Husayn's continuation in power.

The slowness of US policy makers to recognize the importance of dislodging Saddam from power was influenced by a double failure of prediction. First, few people expected Saddam to survive long in power after a military humiliation of the magnitude that his army had suffered. Second, there was little preparation for the massive popular uprisings that occurred after the war, even though the United States had appealed for that kind of help to pressure Iraq to withdraw.

Finally, while there were a number of steps that the United States might have taken after the war to increase the chances of removing Saddam from power, the only action that would have *guaranteed* his demise would have been the occupation of most of Iraq, including Baghdad. There were many reasons, military as well as political, why the United States did not pursue this course. First, the Bush Administration had neither an international nor a domestic mandate to do so. To

have proceeded without a further UN mandate, or perhaps even with one, would have changed fundamentally the way the war was viewed in much of the world (i.e., from the liberation of an Arab country, to the occupation of an Arab country by a Western or Western powers).

Of course, this perception might have changed once it became clear that Iraq itself had been liberated. However, this result was by no means certain. Indeed, it might have proved much easier to remove Saddam Husayn than to find a new government in Iraq with which US policy makers would have felt comfortable. A new regime would have become the United States' responsibility. Conceivably, this could have led the United States into a more or less permanent occupation of a country that could not govern itself but where the rule of a foreign occupier would be increasingly resented.

The most substantial reservations about attempting to occupy the main populated areas of Iraq were probably the military ones. While casualties were far lower than expected in the battle for Kuwait, this might have changed if coalition forces had encountered resistance in populated areas of Iraq. Officials in the Bush Administration were very conscious of the bloody stalemate into which General MacArthur had dragged the country during the Korean War by his reckless pursuit north to the Yalu River following his stunning success at Inchon. That experience was an important factor in the Administration's reluctance to pursue more ambitious objectives when the initial victory came so surprisingly easily.

However, there were a number of things the United States might have done at the end of the war, short of marching on Baghdad, that would have increased significantly the chances of overthrowing Saddam and avoiding the stalemate which continues to this day. For one thing, simply by delaying the ceasefire agreement—without killing more Iraqi troops or destroying more Iraqi military assets—the United States might have bought time for opposition to Saddam Husayn to build and to act against him.

For another, the United States could have compensated for its inability to foresee the March 1991 uprisings in Iraq by responding more actively to support them. It was clearly a mistake to permit Iraqi forces to fly helicopters, which enabled them to crush the insurrections. At the time, some argued that even a more active US intervention would not have changed the result. However, it is instructive to recall how the provision of Stinger missiles to the Afghan *mujaheddin*, which prevented the Soviet forces from flying their helicopters, fundamentally changed the course of that conflict. Depriving the already demoralized Iraqi forces of their armed helicopters could have had equally dramatic results.

It was also an error for the United States and coalition forces to relinquish so precipitately the territory captured from Iraqi forces during Desert Storm. Retaining this portion of southern Iraq (which, incidentally, contains a significant fraction of Iraq's oil resources) as a coalition-administered demilitarized zone would have increased pressure on Saddam Husayn's regime and would have given the United States more options for supporting the opposition inside Iraq.

To be fair, although the Bush Administration was slow to recognize the importance of removing Saddam Husayn in the weeks immediately following the war, by the end of March the United States had begun to act vigorously. President Bush made



Saddam's removal a specific US goal by linking the continuation of sanctions to Saddam Husayn's continuation in power. Furthermore, the President sent US forces back into northern Iraq as part of Operation Provide Comfort, to address the humanitarian crisis there and in the process clear Iraqi forces out of that region. In addition, he provided forceful support for the UN Special Commission's (UNSCOM) inspection operations—support which has been dissipated in recent years. The Bush Administration also supported the unification of the Iraqi opposition. When President Bush left office, opposition to Saddam Husayn was stronger and Saddam's grip on power was more tenuous than it had been following the suppression of the uprisings in March 1991.

### *The Clinton Administration*

The Clinton Administration has encountered smaller opportunities than those faced by its predecessor, but has less of an excuse for having missed them. This failure is all the more surprising and disappointing in light of the positions taken by candidates Bill Clinton and Al Gore during the 1992 presidential election campaign. During the campaign, Vice-President Gore delivered a particularly vitriolic speech in which he described the post-war Bush policy towards Iraq as suffering from "moral blindness." Given this charge, one might have expected more from this Administration than it has delivered.

The shortcomings of the Clinton policy towards Iraq surfaced even before his January 1993 inauguration. Shortly before he took office, the president-elect, in an interview with Tom Friedman of the *New York Times*, suggested that Saddam might be redeemable. Since that occasion, the United States government has never been able to state explicitly that Saddam Husayn is the heart of the problem. As a result, we are left with subterfuges to explain the continuation of sanctions. This has led to ambiguity about whether the United States will tolerate Saddam's continuation in power. In turn, this has created expectations, particularly by oil companies and countries that want to do business with Iraq, that Saddam is someone with whom they can deal—and indeed must deal, eventually.

The Clinton Administration not only failed to identify Saddam Husayn as the crux of the problem between the United States and Iraq, but it also failed to respond effectively to a series of provocative acts. One of the most serious of these, from the US standpoint, was the attempt on the life of former President George Bush during a planned visit to Kuwait in the spring of 1993. An attempt to assassinate a former president of the United States, in retaliation for his official actions while president, is more than just another act of terrorism. It should have been the occasion for mobilizing significant additional pressure on Saddam Husayn and, as discussed later, for mounting a serious strategy for Saddam's removal. Yet, the Clinton response—attacking Iraqi intelligence headquarters in the middle of the night with Tomahawk missiles—had virtually no political or military effect, notwithstanding the Administration's self-congratulation merely for having used force. Similarly, when Saddam mobilized his troops against Kuwait in the fall of 1994, the United States failed to impose any significant cost for this extraordinarily provocative behavior. For Saddam to threaten Kuwait once again, barely three years after the end of the Gulf War, should have been the occasion for

major additional curbs on his power. Instead, the Administration contented itself with a slap on the wrist that said nothing more than “don’t do that again,” while once again boasting how the President *deterred* an Iraqi threat that should have never materialized.

The 1996 loss of northern Iraq as a base for the forces opposed to Saddam Husayn was arguably the biggest setback for US policy towards Iraq. The failure lay not only in the inadequacy of the US military response, but also in US neglect of the intra-Kurdish conflict during the preceding two years, which created the opportunity for Saddam to intervene. When the United States did take military action, it conducted those operations against comparatively insignificant targets in the south, claiming that this area was of the greatest strategic importance. This dishonest rationalization was a betrayal of the explicit assurances that US officials, including the Vice-President and the President’s National Security Adviser, had given Iraqi opposition leaders. For US allies in the region, the redefinition of what was “strategically important” underscored the weakness of the US response.

Finally, for more than a year, the United States failed to take any significant action in the face of open Iraqi defiance of the UNSCOM inspection regime. Iraqi obstruction of UN inspectors goes not only unpunished but virtually unnoticed and unremarked. This is a disturbing and dangerous pattern.

### **The Road Ahead**

There are three policy options available to the United States. The United States is most likely to maintain a policy of containment, mainly through sanctions, but also through continued commitment to the defense of Kuwait and Saudi Arabia. Yet it is important to point out that containment is not a static policy: the political dynamics of the Middle East will tend to weaken sanctions over time.

Furthermore, sanctions pose a dilemma for the United States. On the one hand, they yield the benefit of reducing the financial resources available to this regime. These resources are the regime’s keys to power and institutions. Depriving the regime of money is important in loosening its hold on power and in constraining its ability to restart the nuclear weapons program, rearm the military and threaten its neighbors. On the other hand, sanctions can inflict at least as much harm on the Iraqi population as on the regime of Saddam Husayn. The Iraqi regime, like that of North Korea, can ensure that it is the ordinary people who pay first for sanctions.

To overcome this dilemma, the United States has relied on the UN Security Council Resolution 986 formula (i.e., “oil-for-food” arrangements). However, we may be deluding ourselves if we believe that SCR 986 will not leak, both directly and indirectly. Indirectly, SCR 986 will leak when Iraqis deposit their funds in an escrow account in a French bank, reward Italian firms with contracts, or offer production arrangements to Russian contractors. This will build momentum to reduce sanctions further. Moreover, it is improbable that SCR 986 will adequately serve its humanitarian purpose, primarily because Saddam will ensure that it does not. He will invoke measures that siphon or redirect oil revenues, while children remain without medicine and mothers without nutrition.

Meanwhile, the United States faces a weakening coalition. France, Russia and China are lining up to lift sanctions. The Italian parliament has already passed a resolution calling on the international community to permit Iraq to have access to its frozen assets. Rumors have circulated about a possible Syrian-Iraqi *rapprochement*. The weakening of UNSCOM is yet another development with which the United States must contend, and to which it is in fact contributing. Even if the new UNSCOM chairman, Ambassador Richard Butler, displays the same skill and resoluteness as his predecessor, Rolf Ekeus, he will probably receive less support from the United States than he needs to fulfill his responsibilities.

We are thus left with a situation in which sanctions continue, limiting Saddam's power, but by no means bringing about his demise. The longer sanctions remain in place, the greater will be their negative consequences. The human suffering in Iraq will worsen and the economic losses suffered by countries such as Turkey and Jordan will continue. In turn, this is likely to contribute to diminishing support for sanctions by Middle East allies, and possibly their increasing hostility towards the West, as they blame the West, not Saddam, for the sanctions and the toll they exact.

A second option, "normalization" or "engagement," is likely to emerge unless something is done to arrest the weakening of containment. Although this alternative may seem politically unpalatable, it is important to note that the United States conducts a policy of engagement towards China, North Korea and Syria, and such a policy was pursued towards Iraq prior to the invasion of Kuwait. The rationale for this approach is that, if the United States must live with Saddam, it might be prudent to negotiate the best possible arrangement.

The normalization of US relations with the present Iraqi regime has obvious shortcomings. It would revive Saddam Husayn as a force in regional politics, with destabilizing consequences. Although it would be a long time before Saddam would be able to repeat his invasion of Kuwait, renewed access to significant oil resources would certainly lead to a strengthening of Iraq's armed forces and probably a resumption (or continuation) of nuclear, chemical and biological programs. Perhaps most serious, Saddam Husayn would have much greater resources and opportunities to attempt to destabilize the weak regimes of the Gulf through terrorism and other means. Finally, Saddam's revival would have a chilling effect on the Arab-Israeli peace process, which is already in deep difficulty.

The third option open to the United States is to look for opportunities to support alternatives to Saddam. This is not to suggest that the United States should rely primarily on military force and certainly not on military force by itself. Even strong military action is temporary in its effect; moreover, it risks placing great strains on the coalition. Instead, the United States must develop a political strategy that makes clear not only our opposition to Saddam, but also our willingness to support an alternative. While it may be very difficult for the United States to do much until Saddam commits another provocative act, US policy makers must be prepared to seize opportunities and not merely respond to crises.

Such a strategy would necessarily possess political, economic and military dimensions. Politically, US officials must support a process, or at minimum help to formulate



criteria, which would provide a basis for recognizing an Iraqi government in exile. This might include an amnesty for members of Saddam's regime who join such a process. Economically, this strategy should offer the government that is the outcome of this process access to frozen Iraqi assets. It should also entail lifting sanctions within areas that are not under Saddam's control (a step that should have been taken earlier in northern Iraq). Militarily, it would be important to furnish support and protection to defecting Iraqi soldiers, especially Iraqi units.

It would be difficult to obtain coalition support for this third option, but such support is at least partly a function of whether people believe the United States is serious. For the United States to take action of the kind described, and mobilize support for it, new developments in the region would have to occur. But, given Saddam's track record, we are likely to face such new developments, or provocations, in the future. It would help if we began by making it clear now, that Saddam *is* the problem and that under no circumstances will he be allowed to escape from the isolation into which he has confined himself and his country.

### **Conclusion**

The development of a political strategy aimed at replacing the present Iraqi regime offers the best hope for ensuring that long term US interests are well served. However, it is unlikely that the Clinton Administration will undertake anything quite so ambitious. We can therefore expect a continuation of containment, with a gradual weakening of sanctions, of the UNSCOM inspection regime, and of the diplomatic isolation of Iraq in the region and the world community. This process of deterioration might last a very long time. Yet, there is the worrisome possibility that at some point the dam will break and even a very determined United States will be unable to stand in the way.

Equally dismaying is the possibility that, if sanctions remain in place and Saddam remains in power, Iraq's reconstruction and development, both as a country and as a society, will be further delayed. With a different kind of leadership, but not without it, Iraq could realize its potential and contribute greatly to the region and to the world. Such a change in leadership is not likely to result from present US policy towards Iraq, but perhaps it may happen without us.

# The United States and Iraq: Towards a New Policy Framework

Abbas S. Mehdi

**T**he US policy of isolating Iraq that has been in place since 1991 has succeeded in curbing the regime's ability to threaten its neighbors. Much of the criticism of, or at any rate, disappointment with the policy is related to the fact that Saddam Husayn has remained in power. This has obscured the policy's other, perhaps fundamental deficiencies.

Until US secretary of state Madeleine Albright's policy address at Georgetown University in March 1997, US officials had not explicitly linked the sanctions policy to Saddam's removal from power. Secretary Albright's policy statement on Iraq, subsequently reaffirmed and elaborated by Bruce Riedel (see appendix), was significant. It conveyed the clear message that the United States will maintain economic sanctions against Iraq as long as Saddam Husayn remains in power.

The prospect of the continuation of a sanctions-based policy towards Iraq by the United States for an indefinite period raises several questions. Besides constraining Saddam's ability to commit aggression against Iraq's neighbors, how have sanctions affected Iraq? Given these effects, have sanctions well served the long-term strategic interests of the United States? How can US policy towards Iraq be adjusted in order to promote the goal of dislodging Saddam without further punishing the Iraqi population and thus jeopardizing US credibility? These are the questions which this study will address.

## **The Price of Sanctions**

The six-year-old sanctions regime has caused or compounded the deterioration of social, economic, and political conditions in Iraq. Accounts of these conditions have been reported by Western and Middle Eastern media, Iraqi expatriates, diplomats, and representatives of various international organizations. The extent of the toll that sanctions have inflicted on the people of Iraq is something which US policy makers recog-

nize and are concerned about, but understandably have been reluctant to admit publicly.

Clearly, the emiseration of the Iraqi people has not been the objective of US policy. Nevertheless, the evidence is irrefutable: in social and economic terms, the sanctions have had a profoundly damaging impact on the lives of ordinary Iraqis. The sanctions have had the worst effects on the most vulnerable segment of Iraq's population, namely, young children. According to Caro Bellamy, Executive Director of UNICEF, the sanctions have contributed to the deaths of 4,500 Iraqi children under age five each month, or about 54,000 per year.

The sanctions have also had adverse political repercussions. Of course, it would be ludicrous to claim that they have been mainly responsible for keeping Saddam in power. Likewise, the sanctions cannot be blamed for the ruthless tyranny that has continued to be inflicted on the Iraqi people—for which Saddam is personally responsible. Yet, they have, albeit unintentionally and indirectly, increased the population's dependency on the regime. As shown, the sanctions have severely limited the availability in Iraq of the basic necessities of life. Iraq's government has responded to this situation by instituting a system of rationing. To meet their survival needs, the population relies on this system. Thus, while the Iraqi regime has remained the captive of UN sanctions, it can also be argued that, partly as the result of these sanctions, the Iraqi people have remained the captives of the regime.

### **Between Words and Deeds**

United States policy makers clearly did not intend to produce these consequences, nor could they necessarily be expected to have foreseen them. To understand better what US officials *did* intend, it is useful to examine their statements in the light of subsequent US policy conduct.

The comments of two American officials indicate what were to have been the underlying purposes of US policy towards Iraq. In 1991 and 1992, Ambassador David Mack, then deputy secretary of state for Near Eastern Affairs, and Mr. Ronald Neumann, then director of the State Department Office of Northern Gulf Affairs, attended the Iraqi Opposition Conferences. At the 1991 conference, Ambassador Mack remarked:

- We favor a free, pluralistic and democratic government under which every Iraqi citizen enjoys equal political and civil rights.
- The United States continues to support Iraq's sovereignty and territorial integrity but would prefer a new Iraqi leadership: one responsive to the needs of the Iraqi people and willing to live in peace with its neighbors.
- Because of the invasion and occupation of Kuwait and the brutal repression of his own people, Saddam Husayn is discredited and cannot be redeemed. His leadership will never be accepted by the world community.

Iraqi opposition groups were encouraged by these statements. They were also reassured by Ambassador Mack's comments concerning the purposes of his meetings with the Iraqi opposition. Referring to these contacts, Mack maintained that they do



not reflect a US desire to create an alternative Iraqi leadership or favor one faction over another; rather, our aims are to explain US policy and improve mutual understanding.

Yet, it is essential to point out that these remarks created expectations among the Iraqi opposition groups, who were later bitterly disappointed. To most, if not all, of their Iraqi interlocutors, the statements of American officials favoring the creation of a “pluralistic,” “democratic” and “responsive” government in Iraq implied a tangible, if unspecified, US commitment of support. For philosophical as well as practical reasons, the Iraqi opposition understood that they, not the United States, must play the leading role in ousting Saddam and instituting democracy in the country. However, in pursuing these efforts, they neither anticipated, nor were capable of compensating for, what they viewed as the passivity and partiality of the United States.

One can argue that the expectations of the Iraqi opposition were excessively high. Even so, there is an unmistakably sharp discrepancy between the policy pronouncements and actual conduct of the United States in supporting the struggle to remove Saddam from power and to replace his regime with a “democratic,” “pluralistic” and “responsive” one. Follow-up by the US government has been crucially deficient in several respects. First, the United States did not support the March 1991 uprisings against the regime in any meaningful way. The terms of the Gulf War cease-fire had not forbidden the Iraqi military from flying helicopter gunships. The regime employed these weapons, with devastating effect, to crush the rebellion. The US government chose not to intervene.

Second, when he entered office, US president Bill Clinton pledged to hold Saddam Husayn personally accountable for the depredations committed in the invasion of Kuwait. Yet, the US government has appeared reluctant to charge Saddam Husayn with war crimes.

Third, the United States has not strongly advocated the full implementation of UN Security Council Resolution 688, which calls for respect for human rights. Of all the UN resolutions pertaining to Iraq, SCR 688 is perhaps the only one that reflects a clear concern by the United States and other members of the international community for the well-being of Iraq’s population *vis-à-vis* the regime. Whereas the United States has applied diplomacy, sanctions, and force to ensure that other UN resolutions are executed, US officials have displayed far less urgency, energy, and creativity in the case of UN Security Council Resolution 688.

Finally, the nature and scope of US contact with the Iraqi opposition cannot be described as open and impartial. Saddam Husayn’s ability to survive, coupled with his continued defiance, has been a source of impatience, frustration, and embarrassment for the United States. This has led US officials to search for coup-makers rather than nation-state builders. In turn, this search has produced candidates who possess no credibility with other members of the Iraqi opposition or Iraq’s population. These individuals are viewed by most Iraqis as tools of the CIA, rather than as allies of the Iraqi people against it. Thus, the United States has aligned itself with figures who, far from enjoying wide support, are in fact either mistrusted or reviled by most Iraqis.

The gap between the statements of US officials and the substance of US action regarding Iraq has done incalculable damage to the struggle against Saddam. More-

over, it has jeopardized long-term American interests in Iraq and in the region as a whole by undermining US credibility. The conduct of the United States described above surely emboldened Saddam Husayn, conveying the message that he may act with impunity against the Iraqi population. It has also eroded the trust and confidence of Iraqis and Iraqi-Americans in each other and in US policy makers. Furthermore, US policy has driven a wedge between Iraqis and Iraqi-Americans on the one hand, and Iraqi-Americans and US policy makers on the other.

Some may believe, though it is not argued here, that US officials deliberately set out to deceive members of the Iraqi opposition. What, then, explains the discrepancy between official pronouncements and policy? Furthermore, how can and should the United States adjust its policy towards Iraq?

### **Mistaken Judgments**

US policy makers have mistakenly equated American strategic interests with the removal of Saddam Husayn. This personalization of United States policy has obscured the real problem, namely, the authoritarian system of rule over which Saddam has presided. To be sure, the specific form which Saddam's tyranny has taken in Iraq bears his signature. Yet, the mere removal of Saddam provides little assurance that either the interests of the Iraqi people or those of the United States will be well served. Authoritarian rule in Iraq, not Saddam Husayn, is the common enemy of the long-term strategic interests of the United States and the interests of the people of Iraq.

US officials have also suffered from misconceptions about the organizational structure and political culture of Iraq. First, they have tended to overestimate the importance of the sectarian and ethnic divisions (i.e., Sunni-Shi'ite and Arab-Kurd) in Iraq, and thus have underestimated the will and capacity of these communities to cooperate in opposing the regime and establishing democracy in post-Saddam Iraq.

Second, US officials have also appeared to underestimate the importance of a strong central government in strengthening the concept of an Iraqi national identity and thereby preserving a unitary Iraqi state. Commentators such as Adeed Dawisha (see his chapter in this volume) have observed that Saddam Husayn has increasingly relied upon tribal authority structures in order to retain his grip on power, and that these practices have undermined the Iraqi state. Yet, ironically, US policy towards Iraq has contributed to this. The United States, for example, has been excessively tolerant of Turkey's effort to use the Turkoman minority to carry out its bidding in northern Iraq. This risks accentuating ethno-political differences and weakening the Iraqi national identity, which is still evolving.

These mistaken judgments have caused the United States to commit a number of missteps. For one thing, US officials have relied and expended resources upon members of the Iraqi opposition who possess dubious credibility and support in Iraq. For another, US officials have missed opportunities to profit from the personal knowledge and contacts of Iraqi-Americans. Indeed, more extensive dialogue with informed Iraqi-Americans might have enabled the US officials to have selected a wider, more representative, and ultimately more effective cast of Iraqi opposition figures.

It is essential not to confuse the issue of Saddam and the issue of the well-being of the Iraqi people. Clearly, as his past and current conduct reveals, Saddam is the em-



bodiment of Iraq's threat to American strategic interests in the region. Yet, in the long term, the threat lies in a post-Saddam Iraq either governed by a successor-tyrant or plunged into a period of protracted civil violence. The challenge for the United States is to anticipate, and to adopt measures to forestall, the eruption of civil conflict or re-emergence of dictatorship in Iraq after Saddam's demise. The urgent task for the United States, therefore, is to develop a strategic framework that accommodates American interests in Iraq as well as the interests of the Iraqi people.

### **Towards a New Policy Framework**

There is no substitute for a leading role for Iraqis both in bringing Saddam's regime to an end and in erecting a representative government in its place. After all, the United States can support, but cannot create, the conditions for stability and prosperity in Iraq. A supportive role in this enterprise by the United States is all that most Iraqis expect, and indeed all that they would accept.

The United States must begin to plan for, and must take preliminary steps aimed at, the reconstruction of Iraq's national economy and the establishment of a government based on democratic principles. Before offering a framework within which the United States can contribute to the attainment of these objectives, it may be useful to address two basic questions. First, is it productive to develop a framework for a new US policy towards Iraq, given uncertainty about the longevity of Saddam's rule and of sanctions? Second, is it realistic to design a framework one of whose chief goals is the establishment of democracy in Iraq, given the country's political culture and recent experiences?

It is not premature to conceive and articulate a vision for Iraq's future, and set the groundwork for economic recovery and political accommodation. Frank discussion about Iraq's political and economic future, conducted by the broadest possible array of opponents of the regime, may produce a degree of consensus amongst them. Concrete proposals or initiatives stemming from this dialogue may build confidence among the people of Iraq that an improvement in their material and political fortunes is possible, and may also induce further defections from the regime. The present dire economic situation in Iraq offers little hope to the Iraqi people, and provides little encouragement to them to mount a major effort to bring down Saddam's regime. The United States, along with its allies, must issue a declaration which takes a constructive approach to these issues. This approach must consist of more than just making efforts to de-legitimize the regime and increasing the incentives for Iraqis to topple Saddam. As will be shown, even under the strictures of sanctions, vital preliminary work can be accomplished in the political and economic spheres. This work can begin with a clear signal to the Iraqi people by the United States and its allies of their commitment to facilitate the rebuilding of Iraq's economy (perhaps in part by foregoing war reparations) and the re-integration of Iraq into the international community.

Is the establishment of democracy in Iraq merely a pipedream? The argument that authoritarianism is embedded in Iraq's political culture closely resembles the claims of those who are skeptical about the prospects for political change in Russia. Conveniently, this argument omits references to Iraq's social institutions (e.g., universities,



trade unions, factories, newspapers, the arts, government agencies, etc.) which, weakened by the regime's repression, have not altogether dissolved and which can serve as building blocks of civil society. It also overlooks the millions of Iraqi exiles, many of whom reside in the West, who are prepared to return to Iraq not only to replenish the country's depleted educated and skilled workforce, but to contribute to the process of democratization.

The suggestion that the Iraqi people have not known democracy and are thus not ready for it and are condemned to wait for it, is cynical and chauvinistic. The Iraqi people have suffered enormously under the regime of Saddam Husayn. For that very reason, democracy has become their cherished dream. Many Iraqis hold the conviction that democracy in Iraq is achievable, and have drawn inspiration from the recent examples of Eastern Europe and elsewhere. The evolutionary process of instituting a democratic system may be slow and difficult, but it must start somewhere—sooner, rather than later.

A new US policy towards Iraq should merge American leadership with multilateral participation. This policy should be guided by the principle that a direct and continuous American contribution to Iraq's economic reconstruction and democratization is essential to advance the strategic interests of the United States as well as the interests of the Iraqi people.

While Saddam remains in power and sanctions remain in force, the aims of US policy towards Iraq should be: (1) to offer incentives for the removal of Saddam Husayn from power; (2) to ameliorate the physical hardships suffered by ordinary Iraqi citizens; and (3) to create conditions conducive to the establishment of democracy in Iraq, as well as its economic reconstruction.

In order to further these goals, the United States should:

- Adopt and encourage a positive, rather than a punitive, approach that facilitates the rebuilding of Iraq's economy and the re-integration of Iraq into the international community.
- Issue a declaration stating that, once Saddam leaves office, war reparations will be forgiven and that Iraqi foreign debt will be addressed in such a way as to minimize its adverse impact on the rebuilding of the country's economy.
- Mobilize financial and other resources for Iraq's eventual economic rehabilitation.
- Expand the terms of the UN oil-for-food arrangements to mitigate the ill effects of sanctions on the Iraqi population.
- Vigorously support the full implementation of UN Resolution-688 pertaining to the observance of human rights standards.
- Indict Saddam Husayn and a limited number of his inner circle for war crimes.
- Open and maintain a continuous channel of dialogue with active Iraqi-Americans in order to profit from their knowledge of, and contacts in, the country.
- Sponsor a series of meetings with the broadest possible Iraqi representation in order to establish the basic principles and framework for a democratic government in post-Saddam Iraq.

**Conclusion**

This is a pivotal period in US-Iraqi relations, indeed in the relations between the United States and the Middle East as a whole. It is an opportunity for the United States to recover the moral high ground while promoting its long-term strategic interests in the region.

Capitalizing on this opportunity requires American policy makers to realign US interests with the interests of the Iraqi people. American officials must shift the physical and political well-being of Iraq's population from the margins, to the center, of US policy towards Iraq. By alleviating the misery and supporting the aspirations of Iraq's population, the United States will be better able to retain its status as the conscience of the international community. In addition, the United States will gain the lasting respect and appreciation of the Iraqi people, which is likely to pay dividends in the future. This is an opportunity that the United States should not miss.

# Preserving Principle and Safeguarding Stability: United States Policy towards Iraq

Secretary of State Madeleine K. Albright

*Remarks at Georgetown University, Washington, DC, March 26, 1997. Printed as released by the Office of the Spokesman, US Department of State*

**F**ather O'Donovan, Dean Goodman, distinguished panelists and friends, I am pleased to be here to participate in your day of discussions regarding United States policy towards Iraq. I am especially pleased because Georgetown University was long my professional home, and it is the first chance I have had to return since becoming Secretary of State.

I must confess that, as I look around the room and see so many former colleagues, I feel a certain amount of envy. I am having a wonderful time in my new job, but as I recall my previous life, it occurs to me that there are certain advantages to teaching, as opposed to practicing, diplomacy. For one thing, you don't have to be as diplomatic. For another, instead of spending your time with grizzled old foreign ministers, you are surrounded by fresh-faced, quick-witted students who keep you young. Instead of reciting talking points that have been compressed into little bullets, you get to lecture 50 minutes at a chop. And instead of going up to Congress to get grilled, you can invite others to seminars and grill them.

So I remember my years here fondly. And I am constantly bumping into former Georgetown students who are now running large chunks of foreign governments. So have faith. Despite our early exit from the basketball tournament, the master plan is still on track—Georgetown may yet rule the world.

I also want to thank Ambassador Suddarth and Dr. Stowasser. As today's event illustrates, the Center for Contemporary Arab Studies and the Middle East Institute are



rich contributors to our public policy debate. It is in the interests of advancing and clarifying that debate that I was pleased to accept your invitation to speak here today.

My fundamental purpose is to reaffirm United States policy towards Iraq. That policy is part of a broad commitment to protect the security and territory of our friends and allies in the Gulf. We have a vital national interest in the security of the region's oil supplies, and we have forged strong friendships with countries in the area who agree with us that nations should respect international law, refrain from aggression and oppose those who commit or sponsor terror.

Here, as elsewhere, we recognize that stability is not an import; it must be home-grown. But we also know that circumstances may arise in which active American leadership and power are required. A compelling example was Iraq's invasion of Kuwait six and a half years ago. The results of that event remain with us now. So before discussing where we go from here in our policy towards Iraq, let me review how we got to where we are.

When President Bush launched Operation Desert Storm, he said that America had two objectives. First, to drive Iraq out of Kuwait. Second, to cause Iraq once again to "live as a peaceful and cooperative member of the family of nations." Because of the bravery and brilliance of the US-led military coalition, the first objective was quickly achieved. But despite the lessons of war, continuing international pressure, the impact of tough UN sanctions, and the best interests of the Iraqi people, Iraq's government has continued to defy the will of the international community.

Under Resolutions approved by the UN Security Council, Iraq is required to demonstrate its peaceful intentions by meeting a series of obligations. It must end its weapons of mass destruction programs and destroy any such weapons produced. It must cooperate with the inspection and monitoring regime established by the UN Special Commission, or UNSCOM. And it must recognize its border with Kuwait, return stolen property, account for POW/MIAs, end support for terrorism and stop brutalizing its people. Had Iraq complied with these obligations early on, its economy would have recovered, the oil trade would have resumed, debts would have been paid, the suffering of its people would have been avoided, and it could have resumed its rightful place among the responsible nations of the world.

Instead, from the outset, Iraqi leaders chose denial, delay and deceit. Or to put it even more bluntly, they lied. They have blocked inspections, concealed documents, falsified evidence and challenged UNSCOM's clear and legitimate authority. They have refused to account satisfactorily for Kuwaiti missing and prisoners of war. They have failed to return stolen property and weapons. They have virtually demolished the marsh Arab community in southern Iraq, waged war on the minorities in the north and accelerated repression in the center to stay in power. And their agents have crossed borders to gun down or poison Iraqi dissidents.

Throughout, their leader, Saddam Husayn, has bemoaned the unfairness of sanctions and the indignity of inspections. His complaints remind me of the story about the schoolboy who returned home with his nose bloodied and his shirt torn. When his mother asked him how the fight started, he said "it started when the other guy hit me back." Since 1991, the task of looking behind Iraqi deceptions to find the truth has fallen to the IAEA and to UNSCOM Chairman Rolf Ekeus and his staff.

For years, they have struggled to discover and destroy Iraq's once extensive arsenal of weapons of mass destruction. Although they have been harassed and threatened by Iraqi officials, they have made steady—and at times stunning—progress. The defection in 1995 of Husayn Kamil, the official who directed many of Iraq's efforts at deception, marked a turning point. It led to major revelations regarding biological weapons and appeared, for a time, as if it would cause Iraq finally to accept the need for full disclosure. Unfortunately, this has not been the case. The refusal to cooperate fully continued throughout 1996 and to the present time.

This tactic has not and will not work.

Our resolve on this point is unwavering. Hundreds of thousands of American soldiers put their lives on the line in the Gulf war. We will not allow Iraq to regain by stonewalling the Security Council what it forfeited by aggression on the battlefield. We know from experience that firmness is the only language the Iraqi Government understands. In 1993, when Iraq plotted the assassination of former President Bush, the United States struck back hard. In 1994, when Iraqi troops again threatened Kuwait, President Clinton's firm military and diplomatic response caused Baghdad not only to pull back its troops, but to recognize—at long last—its legal border with Kuwait. Moreover, a new Security Council Resolution restricted military activity in southern Iraq.

Last August, Iraqi forces took advantage of intra-Kurdish tensions and attacked the city of Irbil, in northern Iraq. President Clinton responded by expanding the no-fly zone to the southern suburbs of Baghdad. This reduced further the strategic threat posed by Iraq and demonstrated our intention to respond to Iraqi transgressions in a manner of our choosing. Contrary to some expectations, the attack on Irbil has not restored Saddam Husayn's authority in the north. Iraqi troops have withdrawn from Irbil, and the region's inhabitants, conscious of Baghdad's past repression against them, have resisted efforts by the regime to re-establish control. The Kurdish parties have been working with us to limit their differences and seek common ground. Although old rivalries remain difficult, we are firmly engaged alongside Turkey and the United Kingdom in helping the inhabitants of the region find stability and work towards a unified and pluralistic Iraq.

Although we oppose the lawless policies of the Iraqi regime, we have never had a quarrel with the Iraqi people. UN sanctions do not prohibit food and medical supplies. But because Saddam Husayn did not use his resources to meet the basic needs of his people, we supported efforts for additional relief. For five years, Baghdad refused to accept such an arrangement. It was not until late last year that Iraq finally caved in to international pressure and agreed. The food for oil deal now in place is designed to ease the suffering of civilians throughout Iraq. It is not related to the larger question of when and if the overall sanctions regime will be lifted. Nor is the continuation of this arrangement automatic, however strongly we support its purpose. If we see evidence that the Government of Iraq is not living up to its promises with respect to implementation, the experiment will cease.

All this brings us to the present day. From the beginning of Operation Desert Storm until now, American policy towards Iraq has been consistent, principled and



grounded in a realistic and hard-won understanding of the nature of the Iraqi regime. It has been bolstered by bipartisan support at home, and general approval in the region.

And it has achieved a great deal. Iraq's military threat to its neighbors is greatly diminished. Most of its missiles have been destroyed. Its biological and chemical warfare production facilities have been dismantled. Nuclear materials have been removed and an international monitoring regime to prevent the construction of nuclear weapons is in place. Iraq has been barred from importing weapons and weapons-related materials and technology. And the area in which Iraqi military forces may operate freely has contracted.

To guard against further miscalculations on Baghdad's part, US forces have been deployed to the region and we have demonstrated our ability to reinforce those troops rapidly if required. Diplomatically, we have sustained an international consensus that Iraq should not be allowed again to threaten international peace. In statement after statement, and in 36 successive reviews, the Security Council has maintained its support for sanctions and its insistence on compliance.

Meanwhile, six years of sanctions and isolation have taken their toll on the regime in Baghdad. Saddam Husayn has become by far the most divisive force in Iraq, and several coup attempts have been made. Members of his own somewhat dysfunctional family have turned against him. His inner circle of advisers has been purged repeatedly. Today, his power rests on an increasingly narrow foundation of intimidation and terror. So while Iraq's lawless policies are failing, our policies of law and firmness are working. As long as the apparatus of sanctions, enforcement, inspections and monitoring is in place, Iraq will remain trapped within a strategic box, unable to successfully threaten its neighbors and unable to realize the grandiose ambitions of its ignoble leader.

It is essential, however, that international resolve not weaken. Containment has worked, but—despite Iraq's present weakness—the future threat has not been erased. Iraq's behavior and intentions must change before our policies can change. Otherwise, we will allow the scorpion that bit us once to bite us again. That would be a folly impossible to explain to our children, or to the veterans of Desert Storm.

Consider that, under Saddam Husayn, Iraq has started two major wars, used poison gas and committed gross violations of international humanitarian law. Consider that Iraq admitted producing chemical and biological warfare agents before the Gulf War that were sufficiently lethal to kill every man, woman and child on earth. Consider that Iraq has yet to provide convincing evidence that it has destroyed all of these weapons. Consider that Iraq admitted loading many of those agents into missile warheads before the war. Consider that Iraq retains more than 7,500 nuclear scientists and technicians, as well as technical documents related to the production of nuclear weapons. Consider that Iraq has been caught trying to smuggle in missile guidance instruments. And consider that, according to Ambassador Ekeus, UNSCOM has not been able to account for all the missiles Iraq acquired over the years. In fact, Ekeus believes it is highly likely that Iraq retains an operational SCUD missile force, probably with chemical or biological weapons to go with it.

If past is prologue, under the current government, an Iraq released from sanctions and scrutiny would pick up where it left off a half dozen years ago—before the mother



of all coalitions stopped it dead in its tracks. For these reasons, our policy will not change. It is the right policy.

To those who ask how long our determination will last; how long we will oppose Iraqi intransigence; how long we will insist that the international community's standards be met, our answer is—as long as it takes. We do not agree with the nations who argue that if Iraq complies with its obligations concerning weapons of mass destruction, sanctions should be lifted. Our view, which is unshakable, is that Iraq must prove its peaceful intentions. It can only do that by complying with all of the Security Council Resolutions to which it is subject.

Is it possible to conceive of such a government under Saddam Husayn? When I was a professor, I taught that you have to consider all possibilities. As Secretary of State, I have to deal in the realm of reality and probability. And the evidence is overwhelming that Saddam Husayn's intentions will never be peaceful. The United States looks forward, nevertheless, to the day when Iraq rejoins the family of nations as a responsible and law abiding member. This is in our interests and in the interests of our allies and partners within the region. Clearly, a change in Iraq's government could lead to a change in US policy. Should that occur, we would stand ready, in coordination with our allies and friends, to enter rapidly into a dialogue with the successor regime. That dialogue would have two principal goals.

First, because we are firmly committed to Iraq's territorial integrity, we would want to verify that the new Iraq would be independent, unified and free from undue external influence for example, from Iran.

Second, we would require improvements in behavior. Is there cooperation with UNSCOM and compliance with UN resolutions? Is there respect for human rights, including the rights of minorities? Is there a convincing repudiation of terrorism? Are its military ambitions limited to those of reasonable defense?

If our concerns were addressed satisfactorily, Iraq would no longer threaten regional security. Its isolation could end. The international community, including the United States, would look for ways to ease Iraq's re-integration. A whole range of economic and security matters would be open for discussion in a climate of cooperation and mutual respect. Iraq could begin to reclaim its potential as a nation rich in resources and blessed by a talented and industrious people. And Iraq could become a pillar of peace and stability in the region.

But until that day comes, we must—and will—maintain our watch. We will continue to work closely with our allies and friends to ensure that Iraq does not again attack its neighbors or put them at risk. We will retain in the region the military capability required to deter Iraqi aggression and to enforce the no-fly and no-drive zones. We will maintain a firm commitment to the territorial sovereignty of Kuwait and our other friends in the region. We will lend our full diplomatic support to the work of the UN Special Commission and the International Atomic Energy Agency. We will insist, with all of the diplomatic tools at our command, that UN sanctions remain in place. Within that context, we will do what we responsibly can to minimize the suffering of Iraqi citizens. We will continue to support the establishment of a coherent and united Iraqi opposition which represents the country's ethnic and confessional diversity. And

we will continue helping the people of northern Iraq to meet their practical needs, resolve internal tensions, and reject the influence of terrorists.

The Baghdad of 1,200 years ago was described as the center of “a properly regulated and well ordered” state, “where schools and colleges abound, (to which) philosophers, students, doctors and priests...flock...(and where) the governors and ministers (are) honest.” Clearly, Saddam Husayn has not been an agent of progress. And clearly, what is now need not always be.

The rip in the fabric of Gulf stability that was created by Iraq’s invasion of Kuwait has not fully mended. But the aggression has been rolled back. Iraq’s military is contained. And the path for Iraq’s re-entry into the community of nations is clearly laid out. This is not, to borrow Margaret Thatcher’s phrase, the time to go wobbly towards Iraq.

The United States is committed—as are our friends—to the victory of principle over expediency; and to the evolution in Iraq of a society based on law, exemplified by pluralism and content to live at peace. These goals may be achieved soon. They may be achieved not-so-soon. But they are right; they are necessary; and they will be achieved.

Thank you very much.

# The Future of Iraq

Bruce O. Riedel

**I**t is a great pleasure for me to be here today to address the Middle East Institute on the subject of the future of Iraq. I am particularly pleased to be here at the invitation of Ambassador Suddarth, a colleague of many years.

This is an issue of great importance to American policy in the Middle East and one worthy of the time and attention that the Institute has focused on it. I want to begin by talking a little about why this is, why Iraq is, so important to the United States, to the region, and to the world as a whole.

Iraq is important in geostrategic terms. It borders Iran, Turkey, Syria, Jordan, Saudi Arabia, and Kuwait. It has historically been a gateway for armies and traders going into the Middle East or out into the Persian plateau and Central Asia. Its geostrategic importance is just as great today. What happens in Iraq has tremendous importance not just for the Gulf, but also for the Arab-Israeli peace process, the future of our NATO partner Turkey, and the long-term relationship between the United States and Iran.

Iraq's enormous oil reserves are obviously another reason why we are here today. Iraq has the world's second largest proven reserves of oil. Many experts believe that further exploration and study will move Iraq into first place and that the last barrel of oil produced in the world will almost certainly be from Iraq.

But Iraq's importance is much more than geopolitics and oil. Iraq has also long been a center of civilization and learning. From ancient Sumer to the Abbasids, Iraq was a place of culture and innovation, where mankind began to understand writing, where the Abbasids preserved and enriched the knowledge of the ancient world and helped to pass it on to us. Iraq's people have been nurtured by, and enriched the flow of, trade and armies that have passed through their valley, and we are the richer for their work.

In recent years, however, far too much of that Iraqi talent has gone to destructive purposes. Beginning in the 1970s, Iraq embarked upon one of the world's greatest arms buildups. At its height in 1990, the Iraqi nation of 17 million people fielded an army of over one million men, equipped with nearly 5,700 tanks, 3,800 artillery pieces and over 800 combat aircraft. To support this enormous war machine, another half



million Iraqis worked in military industries producing over 100 different types of weapons, including long-range missiles and chemical and biological weapons. Even today, after Desert Storm and almost seven years of international sanctions, Iraq has the largest military in the Gulf region, with 400,000 men under arms, 2,500 tanks, and 300 combat aircraft. And while the military-industrial complex to support that military is also greatly diminished from what it was in 1990, it too remains formidable. For example, Iraq retains a nuclear, scientific and technical cadre of over 7,000 experts.

This enormous diversion of resources to military purposes in a relatively small and still underdeveloped nation underscores the nature of the problem the international community has faced in dealing with Iraq over the last decade. Quite simply, Iraq has been ruled by a small clique centered around Saddam Husayn which is committed to seeking regional hegemony, domination of the world oil market and total control at home.

It is useful to remind ourselves of the cost that the regime has imposed on the region and on Iraq in its ruthless pursuit of these goals. The first Saddam war, the Iran-Iraq conflict, lasted eight years and cost at least 450,000 lives. The economic costs were equally staggering-tens of billions of dollars in damages and the creation of and \$80 billion Iraqi debt that helped set the stage for what followed.

Saddam's second war, the Kuwait crisis of 1990-1991, was also an immensely wasteful adventure. I have already given you a sense of the war's impact on the Iraqi military. The war cost Iraq, by conservative estimates, some \$20-30 billion in damage to civilian infrastructure. Kuwait paid an enormous price for Saddam's occupation. Saddam's deliberate destruction of hundreds of oil wells, his spillage of millions of barrels of oil into the Gulf, and his systematic attempt to erase Kuwait's historical and cultural traditions are grim reminders of why Iraq is a problem for us today.

Of course this leadership has also waged war on its own people. Its Anfal campaign in 1989 led to the destruction of some 2,000 villages in northern Iraq. Its war on the people of southern Iraq in this decade has been accompanied by massive alteration of the delicate marsh ecosystem, with potential long-term adverse implications we can only begin to guess at.

The Iraqi leadership faced a simple choice at the end of the Kuwait war six years ago. It could choose to comply with United Nations Security Council Resolutions 687 and 688, and see the sanctions end, or continue its flaunting of international norms and remain a pariah among nations.

Sadly, but all too predictably, the Iraqi leadership chose non-compliance:

- Instead of providing a full, final, and complete declaration of its weapons of mass destruction arsenal and the missiles to deliver it, Saddam chose a strategy of obfuscation, denial, and concealment.
- Instead of answering the United Nations Special Commission's requirements in 15 days as [UN Security Council Resolution] 687 required, more than 1,800 days have passed and Iraq still has yet to come clean about its weapons of mass destruction (WMD) programs.

- Instead of frank responses, Iraq has engaged in elaborate deceptions and lies.
- Instead of providing Kuwait with complete answers on its missing and prisoners, Iraq stonewalls.
- Instead of returning stolen Kuwaiti property quickly, Iraq drags out the process and then substitutes captured Iranian debris in hopes of fooling the international community.
- Instead of improving an abysmal human rights record, Iraq wages war on the Marsh Arabs, drains the swamps to create free fire zones and attacks the city of Irbil.
- Instead of seeking to establish a record of respect for international norms, Iraq plots to assassinate a former president of the United States and the Amir of Kuwait.

This track record is all too clear. It makes Iraq's limited compliance with some of the UN resolutions a mockery. In light of this track record, can anyone have faith that Iraq has really accepted Kuwait's right to secure and recognized borders? Can anyone have faith that this Iraqi leadership does not plan to reimpose its dictatorship on the Kurds and conduct on "Anfal Two?"

Secretary Albright provided our answer in March: "The evidence is overwhelming that Saddam Husayn's intentions will never be peaceful." We must therefore prepare for a long-term responsibility to keep this regime from again acquiring the means and the capability to threaten regional stability. We will do this through several mechanisms:

- First, we will seek to ensure that the sanctions remain in place. The Security Council has reviewed the sanctions 37 times since 1991 and unanimously decided each time to keep them intact. We will vote to ensure that remains the case as long as necessary.
- Second, we will support the activities of the UN Special Commission on Iraq (UNSCOM) and the IAEA. US support is already extensive, including, for example, the provision of a U-2 photo reconnaissance aircraft to fly missions at UNSCOM's tasking. We will continue to do all we can to help UNSCOM and the IAEA.
- Third, we will enforce the two "no-fly zones" over northern and southern Iraq in order to both monitor Iraqi compliance with the human rights obligations under UN Resolution 688, and to ensure that Iraqi military forces do not mass again to threaten her neighbors, as required under UN Resolution 949. This is no simple or easy task. Already American forces have flown more sorties in support of Operations Provide Comfort, Southern Watch, and Northern Watch than they did in all of Operation Desert Storm. But it is an important requirement and one we will continue.
- Fourth, we will continue to provide naval support for enforcing the sanctions regime in the Gulf. US Navy ships, joined by those of other concerned nations, will continue to inspect traffic in the Gulf to keep the sanctions embargo in place.
- Finally, we will seek to find ways to ease the burden of the Iraqi people from the

tyrant who misrules them. We were the first to propose the so-called “oil-for-food” arrangement in 1991 when we sponsored passage of UNSCRs 706 and 712. We supported the passage of UNSCR 986 two years ago to try again to convince Saddam to care about his people. We have also taken the lead in seeking to mediate peace between the Kurdish parties in northern Iraq and have contributed over \$7 million to the creation of the Peace Monitoring Force that now separates the combatants in the north.

We are confident that these measures will keep the threat posed by Saddam’s Iraq under reasonable control. Obviously this is not a perfect solution to the problem, but it is one that we can sustain and manage until a better leadership emerges in Iraq.

That brings us to the question, what is our vision of a future Iraq? What kind of Iraq would allow the international community to end the sanctions system?

Resolution 687 provides the fundamental answer when it says Iraq must demonstrate its “peaceful intentions” as the cornerstone of its international rehabilitation. US policy flows from this fundamental principle. The Iraq we are looking for must be an Iraq prepared to live at peace with its own people. Let me try to translate that principle into some specifics.

First, it is our view that change in Iraq must come from within. We oppose any effort to undermine Iraq’s territorial integrity or its unity. We specifically oppose efforts by Iran to meddle in Iraq’s internal affairs.

Second, we favor a transition that brings about a greater degree of political pluralism in Iraq. UNSCR 688 points in the right direction on this issue. Needless to say, there is enormous room for improvement in this area. Few countries have as deplorable a human rights record as Saddam’s Iraq. Even modest steps would be in the right direction. We reject the arguments of some who say Iraq can never be governed by a more pluralistic government because of its ethnic and sectarian divisions. That argument is historically untrue and ignores the progress elsewhere in the region, as states as diverse as Egypt, Jordan, Turkey, and Pakistan have made progress towards greater participation in government.

Third, we favor an Iraq that can join the Arab mainstream and come to peace with Israel on the basis of the Madrid and Oslo process. Iraq has been a participant in most of the Arab-Israeli wars; it should be a participant in ending that era and joining the process of building a new Middle East at peace.

Fourth, we look for an Iraq that accepts international non-proliferation regimes and abides by its responsibilities under UNSCOM and the IAEI’s long-term monitoring proposals for control of its WMD program. A first step would be a truthful declaration of its existing inventory and the history of its past programs.

Fifth, we look for an Iraq that accepts Kuwait as a neighbor, a fellow Arab state, and a peaceful partner in commerce. An accounting for the missing is a *sine qua non* for this to occur.

In turn, what are we prepared to do to help a new Iraq return to the family of nations? Obviously, we would have to consult with our partners in the coalition and in



the Security Council. There are some principles, however, that would point us in the right direction.

First, we do not seek an onerous peace or a Versailles-like settlement that carries with it the origins of future conflict. We do not seek to cripple Iraq. We would be open to proposals to help ease the economic catastrophe Saddam created for Iraqis over the past two decades by his ambitions.

Second, we would be eager to help Iraq reintegrate into normal international life once it has demonstrated its peaceful intent. That is the fundamental test laid out in UNSCR 687.

Third, we would seek to integrate Iraq within our regional security arrangements in ways that both improve regional stability and Iraq's capability to defend itself. Again, the key test is SCR 687's requirement for clear demonstration of peaceful intent. This, obviously, will be a process that takes time and confidence on both sides.

Let me conclude by quoting from a letter sent by President Clinton to the Congress earlier this month:

Iraq remains a serious threat to regional peace and stability. I remain determined to see Iraq fully comply with all of its obligations under the UNSCRs. My Administration will continue to oppose any relaxation of sanctions until Iraq demonstrates its peaceful intentions through such compliance.

# Contributor Biographies

**Issam A. R. Al-Chalabi** is a consultant based in Amman, Jordan. A mechanical engineer by profession, Al-Chalabi has served as president of the Iraq National Oil Company and as Iraq's Minister of Oil. He has participated in numerous conferences and seminars on world energy, regional cooperation, political and economic development in the Middle East.

**Isam Al-Khafaji** is a lecturer in the department of political science and a fellow at the Research Center for International Political Economy at the University of Amsterdam. He is the editor of *Jalal* and a contributing editor to *Middle East Report (MERIP)*. Al-Khafaji has written extensively on Iraq's politics, economics and civil society. He is the author of *The State and Capitalist Development in Iraq, 1968-1978* (Arabic).

**Sinan Al-Shabibi** is an economic affairs officer in the Division of Global Interdependence at the United Nations Conference on Trade and Development (UNCTAD). He has served as a consultant and economic affairs officer in the Division of Money, Finance and Development at UNCTAD. In 1976-1977, Al-Shabibi was the head of the Importation and Marketing Section of Iraq's Ministry of Oil.

**Adeed Dawisha** is professor of government and politics at George Mason University. He received a Ph.D. from the London School of Economics. He has served as deputy director of studies at the Royal Institute of International Affairs, and as a consultant to the US Department of State. Dawisha is the past recipient of fellowships from Princeton University and the Woodrow Wilson International Center for Scholars. Among Dawisha's extensive scholarly contributions are his books, *Egypt in the Arab World: The Elements of Foreign Policy* and *The Arab Radicals*.

**Sarah Graham-Brown** is a contributing editor to *Middle East Report (MERIP)*. She is currently writing a book on international intervention in Iraq between 1991 and 1996; this project is supported by a grant from the John D. and Catherine T. MacArthur Foundation's Program on Peace and International Cooperation. Graham-Brown has also worked as coordinator of the Gulf Information Project, which collected information on refugees and displaced peoples in Iraq following the Gulf War. She is the author of "Intervention and Responsibility: The Iraq Sanctions Dilemma," *MERIP*, No 193 (March-April 1995).

**Ahmad Hashim** is a defense analyst at the Center for Naval Analysis. He was a senior fellow at the Center of Strategic and International Studies from 1994 to 1996, and a research associate at the International Institute for Strategic Studies in London from October 1993 to September 1994. Hashim was defense consultant to the US Department of Energy from September 1991-September 1993. In addition to his forthcoming book *Iraq Five Years after Desert Storm*, he is the co-author with Anthony Cordesman of *Iraq: Sanctions and Beyond*.

**Abbas Mehdi** is chairman of the Union of Independent Iraqis; and professor of organization and sociology at St. Cloud State University, Minnesota. He received a BA in economics from al-Mustansiriyya University in Iraq, an MA in international management from Bath University in England, and a Ph.D. in organization and sociology from Ohio State University.

**Andrew Parasiliti** is director of programs at the Middle East Institute. He is also a doctoral candidate at the Johns Hopkins University School of Advanced International Studies, where he is writing his dissertation on Iraq's foreign policy and political economy from 1978 to 1990.

**Giandomenico Picco** is chairman and chief executive officer of GDP Associates Inc., a consulting firm aiding industrial corporations in the establishment of joint venture partnerships in emerging economies. Picco has served as assistant secretary-general for political affairs at the United Nations, where he led the secretary-general's task force which negotiated the cease-fire between Iran and Iraq in 1988. In 1992 he served as a consultant in the UN talks with the government of Iraq on the proposed sale of Iraqi oil. Picco is a regular contributor to foreign policy publications, including *Al-Riyadh*, *The World Today*, *Le Monde*, and *The Japan Times*.

**Bruce Riedel** is the special assistant to the president and director for Near East and South Asian Affairs of the National Security Council. From 1995 to 1997 Riedel served as deputy assistant secretary of defense for Near Eastern and South Asian Affairs. A career intelligence analyst, he joined the CIA in 1977 and was assigned to posts in the Middle East. He served as deputy chief of the CIA's Persian Gulf Task Force during the 1990-91 Iraq-Kuwait crises.

**Paul Wolfowitz** is dean of the Paul H. Nitze School of Advanced International Studies, the Johns Hopkins University. From 1989 to 1993, he served as under-secretary of defense for policy. Prior to that, Dr. Wolfowitz was the assistant secretary of State for East Asian and Pacific affairs and United States Ambassador to Indonesia. He received his Ph.D. in political science and economics from the University of Chicago.



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# THE FUTURE OF IRAQ

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“Until now, we have focused heavily on the US leadership role in enforcing sanctions, and we have been fixated on the present ruler of Iraq.... It is very welcome that the Middle East Institute has asked us to stretch our minds to consider the decades ahead.”

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