



Iraq Strategy

Mr Hüseyin Gün
Global Strategy Forum International Advisory Board member

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In his book '*On War*', Carl von Clausewitz says, 'Wars must vary with the nature of their motives and of the situation which gives rise to them. The first, the supreme, the most far-reaching act of judgement that the statesman and the commander have to make is to establish by that test the kind of war on which they are embarking; neither mistaking it for, nor trying to turn it into, something alien to its nature. This is the first of all strategic questions and the most comprehensive.'¹

There have been hundreds, if not thousands of reports, analysis and views expressed by general media, commentators, politicians, tacticians, strategic thinkers, military commanders and etc...however things do not seem to be improving in Iraq and the reasons of continuing violence and instability seem to be obvious, however ways in which to tackle the problems on the ground seem to be a case of too much analysis leads to paralysis type of scenario. It does sometimes take simplicity to eradicate complexities. In short, unless there is a serious review to jump-start local enterprises, private sector, basic infrastructure projects (high visibility) financed by both public and private entities through much needed foreign direct investment, it is highly likely that Iraq would disintegrate and instability would spread throughout the region.

I will come back to the above mentioned points in detail later but first I would like to touch on the oil markets and its effects on global economy.

The Iraq war and the subsequent occupation of Iraq confirm the salience of the Middle East to the rest of the world, and not only because of oil. The doubling of oil prices confirms that the international oil market is essentially shaped by politics and bargaining strengths rather than by conventional market forces such as supply and demand. Oil prices have doubled, from US\$24 a barrel for Brent Blend spot traded in 2001, to over US\$70 in Q3 2007. The price increase reasonably is due not only to rising demand but also to market uncertainty because of conflict and oil supply risks in the Middle East, which have incited hedge funds and other investors to bet on tight oil markets, driving prices up. At present, it seems the Iraq War has contributed to oil market instability by reducing Iraqi volumes and increasing exposure to supply risk in other parts of the world, such as Nigeria and Venezuela, as well natural disasters, such as the hurricane affecting the US Gulf of Mexico oil industry.

In the Middle East, political issues are complex and conflicts take decades and generations to mature. Since the collapse of the Ottoman Empire, no foreign intruder has had the endurance to assert lasting control, because their presence nourishes forces that ultimately exhaust and eject them. The US record in the Middle East of the past 50 years is that of opportunistic moves that completely ignores the complexities of the societies involved. Ignorance is evident in the US handling and planning of the Iraq War.

¹ 'Vom Kriege' by Carl Philipp Gottlieb von Clausewitz, published 1832.
77 South Audley Street, Mayfair, London, W1K 1JG

If the purpose of the Iraq War was to find and dismantle WMD, as was the official US government position, it was redundant because the weapons did not exist, a fact that has been admitted.

If the purpose was to fight terrorism, as was subsequently claimed, the Iraq War has been counterproductive, as pre-war Iraq, under iron-fisted and brutal dictator Saddam Hussein, did not harbour resistance, but misguided US planning and the following mismanagement of CPA led by Paul L. Bremer unfortunately has provided the reasons for terrorists and their network Al-Qaeda to use Iraq as an effective recruitment tool.

If the objective was to introduce democracy, as has later been claimed, the outcome seems to be at best working at a very slow pace, dependent on dialogue, compromise and ultimately consensus across ethnic, religious, social and tribal cleavages.

If the intention was to stabilize the Middle East, building on Iraq as the pivot of the state system, strife, instability and the spectre of disintegration are bad omens, indicating failure with the risk of a major regional conflagration should neighbouring countries get involved. If by contrast the intention was to fragment the Arab Middle East, through a de jure or de facto partition of Iraq, the war appears more successful. If the objective was to secure a long-term US military presence in Iraq, in order to secure political influence through threats to its neighbours, the effort may also be successful, although at a high cost.

As for oil, if the objective was to stabilise the oil market through incremental Iraqi supplies with a downward pressure on oil prices, the Iraq War appears to be a major failure, measured by volumes of Iraqi oil extraction and world market oil prices. If the purpose was to secure long-term US control of Iraq's oil, success may be within sight, although at a high cost.

The Iraq War indicates that the US is engaged in a proactive strategy to gain control of the Middle East, but, unable to control events, the US is forced by surprises to resort to reactive measures. To succeed, a proactive strategy must retain and preferably monopolize initiative, but in the Middle East, the US evidently confronts a proactive Iranian strategy, as witnessed by the country's nuclear programme. Moreover, different parts of the Iraqi resistance also seem to have proactive strategies to exhaust and drive out the US occupier. The combination of proactive US intentions and reactive US moves enhances instability and political uncertainty about the Middle East, driving up oil prices in the futures market, regardless of the physical supply balance. In spite of setbacks, the US so far has shown remarkable tenacity in its drive to control the Middle East, but is confronting equally stubborn adversaries determined to drive the US out of the region. The US and UK must retake and gain much needed momentum on proactive strategies and reflect it upon the Iraqi people without getting stuck in the politicking of a dysfunctional Iraqi government. As the occupying forces, the US and UK must weigh their responsibilities and structure the necessary and already late reconstruction plan and execute it with the help of local and foreign private sector. In order for this to happen, the US and UK must stay the course and not deviate. Leaving Iraq now would be a recipe for disaster in the region. A weak and fragmented Iraq would lead to major regional conflicts and the repercussions of this conflict would be a risk that no sane statesman should take.

One should think clearly about the prospect of a fragmented or partitioned Iraq, which would most definitely further strengthen Iran's prospects of regional power, with the eventual and gradual alliance of Iraq's Shias and or with the potential Iraqi Shia State. Even with Iraq's arsenal



destroyed, the country whether Shia, Sunni, Kurd or Turkmen retains a population larger than that of all the Gulf States put together, including KSA.

The size of its population, education and military training would make a weak or fragmented Iraq at least a political challenge to her neighbours. Political and academic pundit who preach separation of Iraq into 3 different independent states are quite naive to say the least and they obviously do not understand the meaning of the phrase 'opening pandora's box'.

The war plan, presented by Defense Secretary Rumsfeld, to conquer Iraq in a quick strike, relying on high technology, was a success, but the follow-up, the occupation plan, presented by the then Deputy Defense Secretary Wolfowitz, assuming broad acceptance of the US occupation by the Iraqi people and light military presence, has been a resounding failure. The proactive strategy was successful only in the beginning; as initiative slipped, the US has increasingly been making reactive moves, meaning that it does not control the situation, years after the invasion.

According David Phillips, a consultant to the US government, who helped organise the 'Future of Iraq Project' argues that 'the problem was not the absence of a post-invasion plan. Iraq was thrown into a crisis when Bush administration officials, especially Pentagon political appointees, rushed to war and decided to ignore the planning that was underway'. The 'Future of Iraq Project' managed by the US State Dept., cost USD 5 million and brought together 240 exiled Iraqis who wrote 13 volumes covering 2,000 pages, detailing how they thought Iraq should be run once Saddam Hussein was toppled. It is also a well known fact that in a meeting between Wolfowitz and the experienced diplomat and ex-US Ambassador to Yemen, Barbara Bodine where Wolfowitz was not open to actual facts but rather listened to what he wanted to hear. Ambassador Bodine described the meeting with Wolfowitz, 'Wolfowitz began musing about redrawing the provincial boundaries altogether. It was as if Iraq were a blank slate, to be remade in the image of its liberators'.

Paul Bremer's arrival on 12th May 2003 marked a sea-change in the US policy towards Iraq and the beginning of chaotic times of present day Iraq. Bremer replaced the hapless retired general Jay Garner, who executed Rumsfeld's plan, however Garner did not succeed as the plan's strategy was a failure. One could see failure following chaos just by understanding and analysing the first 2 to 3 weeks of Bremer's Baghdad adventure. Bremer's top-down approach to decision-making, based on little more than his own self-certainty is a correct criticism. Bremer's HQ of operation at the Baghdad's Republican Palace, in April and May 2003, was mired in administrative and political chaos. The building was without internal telephones, office numbers or proper security. Thus policy meetings were haphazard, depending on who could be rounded up at any given moment, not who was most qualified to contribute. Even greater damage was caused to organisational coherence by the on-going civil war between the State Dept. and Pentagon. Meetings would be held in the Republican Palace and agreements reached, only for representatives of each government department to scupper policy implementation on the orders of their superiors back home in Washington.

In the early days of Bremer's appointment he spent a great deal of time imposing bureaucratic and political order on his US staff, rather than ministering to his primary task, that of rebuilding the Iraqi state. In short the CPA chief, Bremer took many decisions during his year in Baghdad, however three issues form the main critique of his leadership.

First, not to form an interim Iraqi administration, second the de-ba'athification through the issuance of CPA order no.1, and the final decision Bremer took during his first fortnight in Bagdad was the most controversial and the most destructive: the disbanding of the Iraqi army. The compulsory redundancy of 400,000 trained and armed men following hard on the heels of de-ba'athification created a large pool of resentment across southern and central Iraq. It certainly flew in the face of a key recommendation made by the Future of Iraq Project and one of Garner's central planks of policy. It was a decision that defied logic and sound judgement as it literally turned 400,000 highly armed and trained men and turned them into enemies of the coalition forces.

The negative consequences of disbanding the army and de-ba'athification continue to haunt post-Saddam Iraq. De-ba'athification purged government ministries of their top layer of management, making between 30,000 and 110,000 people unemployed at a time when restoring government services was the most important way to win Iraqi support. The administrative capacity of the state had been destroyed by over a decade of sanctions, 3 wars in 20 years and 3 weeks of uncontrolled looting. De-ba'athification, in effect, removed what was left of the state; its institutional memory and a large section of its skilled personnel.

What the Iraqi people were primarily demanding was law, order and the restoration of water and electricity. It is sad to say and acknowledge that Iraqi people are still in need of the basic services although it has been 4 years and counting since Saddam's removal from power. The failure of the occupation to deliver even these basics undermined everything else, it was far more important to the day-to-day lives of Iraqis struggling to survive than the membership and power of a governing council.

In the past, internal tensions have led to authoritarian government. Since the war, the questions are how to keep Iraq together and who shall control it. The strength of the insurgency was not anticipated. The visit by The former Iraqi PM Jaafari to Tehran and the agreement concluded in the summer of 2005 between the newly elected Iraqi government and Iran on economic co-operation show that as an occupying power, the US has little practical influence. Close co-operation with Iran and its Mullah regime hardly fits with the US, Saudi or Turkish strategy for Iraq. So far, the US has displayed a remarkable lack of insight and strategy for the occupation of Iraq, obviously with no clear idea of how to conduct the occupation or end it. From this perspective, the US by eventually losing the peace will exacerbate the very problems that it wanted to eliminate by this war.

Lets take a brief look at present day Iraq by numbers;

- Number of American troops stationed in Iraq: 162,000 (plus at least several thousand government employees), an all-time high of 180,000, again undoubtedly an all-time high, but does not include a complete count of "private security contractors who protect government officials and buildings," according to State Department and Pentagon figures.
- Percentage of private contractors in total U.S. forces deployed in World War II and the Korean War: 3-5%, according to the Congressional testimony of human rights lawyer Scott Horton. In Vietnam and the first Gulf War, that figure reached 10%. Now, it is at least near parity.

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- Predicted cost of a one-year surge of 30,000-40,000 troops, according to Robert Sunshine, assistant director for budget analysis of the non-partisan Congressional Budget Office (CBO): \$22 billion (two years for a cut-rate \$40 billion). These figures were offered in testimony to Congress five months after the President's surge was officially launched.
- Percentage of dollars annually appropriated by the U.S. government and spent on Iraq-related activities: More than 10%, or one dollar out of every 10, according to the CBO's Sunshine.
- Number of trucks on the road each day as part of the U.S. resupply operation in Iraq: 3,000.
- Number of attacks from June 2006 through May 2007 on U.S. supply convoys guarded by private-security contractors: 869, a near tripling from the previous 12 months.
- Predicted cost of a surge of 21,500 American troops into Iraq, according to White House calculations in January 2007: \$5.6 billion, a figure offered the month the President's surge strategy was announced.
- Estimated monthly cost of the Iraq (and Afghan) Wars: \$12 billion -- \$10 billion for Iraq -- a third higher than in 2006, according to the non-partisan Congressional Research Service.
- Estimated total cost of the Iraq War, if Robert Sunshine's "optimistic scenario" -- 30,000 U.S. troops left in Iraq by 2010 -- plays out: Over \$1 trillion. (If his less optimistic scenario proves accurate -- 75,000 troops in 2010 -- closer to \$1.5 trillion.)
- Number of Iraqis estimated to have fled their country: Between 2 million and 2.5 million. An estimated 750,000 to Jordan; 1.5 million to Syria; 200,000 to Egypt and Lebanon -- with another 40,000-50,000 fleeing each month, 2,000 a day, according to UN figures. Officials at the central travel office in Baghdad are deluged by up to 3,000 passport applications a week. In addition, though it's anyone's guess, more than two million Iraqis may now be internal refugees, uprooted from their homes largely by sectarian violence and ethnic cleansing. Approximately 70% of these are women and children, according to UNICEF.
- Number of foreign fighters (jihadis) held by the U.S. military in Iraq: 135 (nearly half are Saudis).
- Estimated number of bullets fired by U.S. troops for every insurgent killed in Iraq (or Afghanistan): 250,000, according to John Pike, director of the Washington military-research group GlobalSecurity.org. This comes out to 1.8 billion rounds of small-arms ammunition yearly. With U.S. munitions factories unable to meet the demand, 313 million rounds of such munitions were purchased from Israel last year for \$10 million more than if produced domestically.

- Number of Iraqi civilians who died in July 2007: 1,652, according to figures compiled by the Iraqi Health, Defense, and Interior Ministries; 2,024, according to the tally of the Associated Press; 1,539 according to the Washington Post. All but the Post claim this as a "spike" in casualties. All such figures are, for a variety of reasons, surely significant undercounts.
- Estimated number of Iraqi deaths from the invasion of 2003 through June 2007, if the Lancet study's median figure of 655,000 deaths was accurate and similar death rates held true for the year since it was published: Just over one million, according to Just Foreign Policy. (The Lancet study has been the single, on-the-ground, scientific report on Iraqi casualties in these years.)
- Number of Iraqi civilians killed in July in mass-casualty bomb attacks: 378, a sharp rise over June, according to the Washington Post.
- Number of unidentified bodies, assumedly murdered by death squads, found on the streets of Baghdad in June 2007: 453, a rise of 41% over January 2007, the month before surge operations began, according to unofficial Iraqi Health Ministry statistics taken from morgue counts.
- Total number of attacks against U.S. and coalition forces, Iraq security forces, Iraqi civilians, and infrastructure targets in June 2007: 5,335. This works out to a daily average of 177.8, an all-time high since May 2003, according to the Pentagon, and 46% more than in June 2006; more than 68% of these attacks -- 3,671 to be exact -- were launched against U.S. troops, up 7% from May 2007.
- Number of attacks in July 2007 using the most powerful type of roadside bomb: 99, an all-time high, according to Lt. Gen. Ray Odierno, U.S. second-in-command in Iraq, accounting for one-third of American casualties that month.
- Percentage of amputations performed on U.S. war-wounded in Iraq: An estimated 6%. The average in earlier U.S. conflicts, where the equivalents of IEDs and car bombings did not play such a role, was 3%.
- Number of American military deaths in the surge months, February-July 2007: 572, according to the Iraq Coalition Casualties website. This represents 189 more American deaths than in the same set of months in 2004, 215 more than in 2005, 237 more than in 2006.
- Cost of a bottle of purified water during the present water shortages: \$1.60 for a 10-liter bottle, a rise of 33%. (Many Iraqis can't afford to buy bottled water in a country where, according to a recent Oxfam summary study of the Iraqi humanitarian crisis, 43% of Iraqis live in "absolute poverty," earning less than a dollar a day.)
- Percentage of water engineers who have left Iraq: 40%, according to Oxfam's report. Similar percentages of middle-class professionals -- doctors, teachers, lawyers -- have evidently fled as well. According to Oxfam, some universities and hospitals in Baghdad have lost up to 80% of their staffs.

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- Number of Iraqis who have access to clean drinking water: 1 in 3, according to UN figures. (In 2007, waterborne diseases, including diarrhea, "the most prolific killer of children under 5," are up in some areas by 70% over the previous year.)
- Of the 3.5 million cubic meters of water Baghdad's six million people are estimated to need, amount actually delivered: 2.1 million cubic meters.
- Number of megawatts of electricity produced daily in Iraq: Less than 4,000 megawatts, below pre-invasion levels in a country where daily demand is now in the 8,500 to 9,500 range.
- Hours of electricity normally delivered to Baghdadis by the national electricity grid: 1-2 hours a day. The only recourse, according to French reporter Anne Nivat, who lived in "red zone" Baghdad for two weeks recently, is electricity produced by small local generators, which consume up to 20 gallons of gasoline a day.
- Number of nationwide blackouts in just two days in July 2007: 4. The Shiite Holy city of Karbala was without any power for at least 3 consecutive days in July, during which its water mains "went dry." ("We no longer need television documentaries about the Stone Age. We are actually living in it. We are in constant danger because of the filthy water and rotten food we are having," said Hazim Obeid, who sells clothing at a stall in the Karbala market.)
- Number of high-tension lines running into Baghdad that are in operation: 2 of 17, thanks to insurgent sabotage, according to an Electricity Ministry spokesman. These are contributing to the worst electricity shortages since the invasion summer of 2003. The country's power grid is reportedly nearing collapse.
- Number of ministers still in the cabinet of Prime Minister Nouri al-Maliki: 15. Number of ministers who have walked out: 22.
- Number of senior officers who have recently resigned from the Iraqi Army in protest over the Maliki government: 9, including Chief of Staff Maj. Gen. Babaker Zebari.
- Amount of oil Iraq possesses: 115 billion barrels in proven oil reserves, the third largest reserves in the world (after neighboring Saudi Arabia and Iran). Estimates of possible oil deposits still to be discovered range from 45 billion additional barrels up to 400 billion additional barrels.
- Price of 40 gallons of gas under Saddam Hussein: 50 cents. Price of 40 gallons of gas in July 2007: \$75 on the black market; \$35 if a motorist is willing to spend hours, or even days, in line at a gas station.
- Percentage of Iraq's revenues that come from the export of oil: More than 90%, though oil production remains below that of the worst days of Saddam Hussein's rule.
- Amount the Iraqi Oil Ministry budgeted for capital expenses to bolster the oil industry last year: \$3.5 billion, according to the latest report by the U.S. Special



Inspector General for Iraq Reconstruction. Amount the Iraqi Oil Ministry actually spent: \$90 million.

- Percentage of allocated capital funds spent by the Iraqi government on oil, electricity, and education projects in 2006: 22%.
- Amount of money missing due to governmental corruption, as uncovered in investigations by Iraq's top anti-corruption investigator, Judge Rahdi al Rahdi: \$11 billion.
- Number of U.S. dollars invested in "standing up" (training) the Iraqi military and police: \$19.2 billion. This works out to \$55,000 per Iraqi recruit, according to a bipartisan U.S. Congressional investigation.
- Amount the Pentagon has requested for continued training and equipping of Iraqi security forces: \$2 billion.
- Percentage of equipment the Pentagon has issued to Iraqi security forces since 2003 that cannot be accounted for: 30%. That includes at least "110,000 AK-47 rifles, 80,000 pistols, 135,000 items of body armor and 115,000 helmets," according to the U.S. Government Accountability Office (GAO). According to the Washington Post, "One senior Pentagon official acknowledged that some of the weapons probably are being used against U.S. forces."
- Number of U.S. steel-shipping containers in Iraq and Afghanistan now considered "lost": 54,390 or one-third of them, according to the GAO.
- Estimated cost of training Iraqi (and Afghan) security forces over the next decade, if present course continues: At least 50 billion dollars, according to the Congressional Budget Office.
- Number of major U.S. bases in Iraq: More than 75, according to the New York Times.

The figures above mentioned speak for themselves. This is not the result of resurgent primordial antipathies or an indication of the unsustainability of Iraq as a united country. Instead, the collapse of the Iraqi state and the failure to resurrect it are a direct result of the inability of the US in state building and a series of profound policy mistakes made by the CPA. The terminal flaw in the CPA's armour, its ignorance of the Iraqi society. This ignorance is self-evident from the exclusion of US government officials and advisers with knowledge of the area from the CPA. For example, Thomas Warrick, he was the closest thing the US government had to an expert on Iraq, however his services was not called upon for a bizzare reason....According to various senior officials, only 2 individuals with sustained academic training on Iraq ever served with the CPA in Baghdad, both posted there by the British, not the US government.

Moving forward and onwards, it must be firmly understood that integrity of Iraq is critical to the state system of the Middle East and is therefore in itself a major objective. Any implosion or disintegration of the Iraqi state risks provoking protracted disorder and strife involving all neighbouring countries and thus compromising oil supplies. Advocates of splitting Iraq into

three parts by confessional and ethnic fault lines tend to overlook, in a dangerously amateurish manner, the practical problems of defining borders in mixed regions, conflict between eventual successor states, and the involvement of neighbouring countries, essentially Turkey and Iran, to secure their interests, threatening Middle East's already vulnerable stability.

The confessional and ethnic complexity of Iraq would need a stabilising counterweight in the form of economic and social organisations to promote cross-communal cleavages and interests, such as trade unions and business associations and a strong central government that strengthens civil society and a polity outside the state apparatus. Historically, before the Baathist rule, Iraq had a strong trade union movement and business associations that was an important integrating force, but unions and business associations were subdued under Bremer. Likewise, business associations are apt to create links based on economic interests across communal divisions.

What Iraq urgently requires is to begin and restore a united Iraq. There are many questions that remain unanswered. The following ideas are not exclusive or exhaustive but rather essential;

1. Move swiftly and effectively to complete the process of allowing eligible Baathists to re-enter Iraqi National system, whether in security or civil services. It has been a terrible and costly mistake, committed by the CPA, to dissolve the Iraqi army and civil service. Shia-dominated government must be sympathetic to reasonable Sunni demands.
2. Must urge the Central Iraqi government to move on key legislations such as constitutional reforms, hydrocarbon (oil revenue sharing), general investment, militia disarmament and provincial elections.
3. Must increase working momentum of Tribal Democracy Centres, thereby making sure of the involvement of major tribes in Iraq such as Dulaym, Shammar, Zubayd, Khaz'al, Bani Lam, Bani Tamim, Ubayd and etc..thereby taking the initiative to curb sectarian violence.
4. Urge central government to act on militia activities and also effectively use Tribal Democracy Centres throughout Iraq to dismantle extremist Sunni & Shia militias.
5. Actively support the works and reach of Iraqi business associations.
6. To achieve national unity, Iraqi government must heed Sunni calls for reform.
7. Speed training of Iraqi security forces. Candidate selection must possess thorough screening process in order to curb the establishment of sectarian death squads among national security forces and thereby eliminate militia control of local security.
8. Must urge the Central government to allow Sunni population to enter into Iraqi security forces to overcome current sectarian imbalances and overall increase the number of Iraqi security forces units capable of operating independently and thus provide even-handed enforcement of law without political interference.

9. Must take control of Iraqi-Syrian, Iraqi-Iranian & Iraqi-Saudi borders to prevent foreign fighter infiltration, thus require boost in numbers of soldiers, therefore must actively seek NATO assistances into the Iraq.
10. Must establishment programmes which provide financial incentives to take illegal arms off the street.
11. Must begin mass media campaign to reinvigorate the national Iraqi identity.
12. All State, including regional, institutions must be strengthened.
13. Must urge Iraqi government to begin the execution of reconstruction projects at local level by utilising Iraqi government funds. The priority must be projects of high visibility i.e. electricity & clean water.
14. Must structurally organise & effectively use Iraqi Civilian Stability Force which should consist of 3 elements: Constabulary units, civil police, judicial teams.
15. Must train constabulary units. These units are police forces with military characteristics. These constabulary forces must be equipped with armoured vehicles and heavy weaponry and could fight as light infantry, if required.
16. Effectively use and speed up recruitment and training processes of liaison and training units of civil police to train & monitor local police. In the meantime, central government with the help of coalition forces must initiate thorough cleansing process of national police force and rout out members of militias and death squads.
17. Constabulary & civil police are important but they cannot function without the other parts of judicial systems, courts & prisons. Iraqi judicial teams must be trained to the standards which would ensure day to day running of law and order which is desperately required.
18. Iraqi central government must pay attention to the refugee problem of Iraq. The international community beginning with the UN must assist Iraqs neighbouring countries re Iraqi refugee crisis.
19. Re-establish the prestige of Regular Army & utilise the Iraqi Army to rebuild nation and assist Iraqi population, by providing Iraqi commanders with all authority to execute security plans, without political intervention, to include the authority to pursue all extremists, including Sunni insurgents and Shiite militias.
20. Must couple & bridge Provincial Reconstruction Teams (PRTs) with national, regional and local business associations and Iraqi private sector with foreign investors to curb unemployment and therefore violence and generate Iraq's economic capacity both at micro and macro level. Financial injection must be provided to these programmes and catalyst must be added to the programme to speed up sustainability of grassroots projects.
21. The Iraqi central government must establish an integrated strategic plan that coordinates efforts across the oil and electricity sectors given their highly interdependent nature. This plan is urgently needed to help identify the most pressing

needs for the entire energy sector and thus help overcome the daunting challenges affecting future development prospects.

22. Iraqi ministries must work more efficiently with regional governors and not unnecessarily delay important and much needed reconstruction work, i.e. rehabilitation of petrochemical, iron & steel, cement plants and etc... Some of these projects have been on the table for over 2 years without actual fruition.
23. Must urge Iraqi government to enact and implement legislation establishing an Independent High Electoral Commission, provincial election law, provincial council authorities and a date for provincial elections.
24. UN must swiftly act on its decision to re-enter Iraq, after it was traumatised by the murder of Sergio de Mello, and assist urgently on humanitarian aid.
25. Iraq neighbours must be brought to table to assist the coalition forces to rebuild Iraq, this should begin with concert efforts of Turkey & Saudi Arabia, followed by Iran & Syria. To facilitate progress on neighbour's actions, it would be beneficial to organise two conferences a year which should include representatives from coalition forces and the Iraqi central government.
26. UK should not cut and run in S. Iraq. Untimely British withdrawal would not only create a security vacuum in S. Iraq and jeopardise the vital supply line of Route Tampa but it would also send the wrong signal to extremist Shiia militias. Route Tampa provides approx. 90% of the food, water, ammunition and equipment for the coalition forces and therefore approx. 2000 trucks a day travel down the highway. Despite the recent pull out from Basra Palace, British forces should continue to serve and perform their vital duties that are very much required by the local security forces. Patrick Mercer, a former British Army commander and Conservative MP recently said, 'whatever withdrawal timescale we adopt, we have got to understand that our commitment to Iraq is not over. We have got to face the prospect that the situation in Iraq could get worse. The question is what are our plans and responsibilities to a country whose problems we have contributed to rather than solved'.
27. Must urge Iraqi government to establish a clearly defined and consistently applied budget and procurement rules to effectively implement capital projects and inhibit corruption.
28. The Central Iraqi government must reform all ministerial guidelines, as status quo shows that Iraqi ministries are guided by complex laws and regulations, including some implemented under Saddam Hussein, the CPA, and the current government. The current working order of Iraqi ministries causes confusion among ministry officials and creates atmosphere of mismanagement. This confusion coupled with personnel turnover within ministries, fear of corruption charges, and an onerous contract approval process have caused severe delays in vital reconstruction contract approvals and capital improvement expenditures.

Having said all of the above points, one of the crucial issue that remains unsolved is the Hydrocarbon legislations. The centralisation of oil revenues would be an essential element in holding the Iraqi state together with consideration to ethnic forces, essentially Kurdish ones.



Iraqi oil must remain national property and must encompass regional inputs in the future of central oil authority.

The optimal development of Iraq's enormous oil and gas reserves is the most critical economic element for the future of the country. Oil accounts for half of Iraq's GDP and over 90% of its revenues. The timely and equitable distribution of these revenues is essential to Iraq's ability to provide for her needs, including the reconstruction of a unified Iraq.

After decades of mismanagement, under-investment, corruption and political manipulation, Iraq has a golden opportunity to set the right policy and regulatory framework to achieve this vital goal. Simply put, Iraq's primary objective must clearly and simply be to maximise production in the shortest time possible, while maximising returns to the State and combatting theft by introducing an effective oil metering system. Theft that is costing the Iraqi people about USD 1.8 billion to USD 5.5 billion a year according to US State Dept. Comprehensive metering of Iraq's oil production has been a long standing problem and continuing need.

Widespread corruption and smuggling continue to reduce oil revenues. According to US State Dept. Reports, about 10% to 30% of refined fuels is diverted to the black market or smuggled out of Iraq and sold for a profit. Moreover, Iraq's needs are significant and future funding for the oil sector is uncertain as nearly 80% of the US funds for the oil sector have been spent. Iraq's contribution to improving its infrastructure has been minimal with the government spending less than 3% of the USD 3.5 billion it approved for oil reconstruction projects in 2006. Once again, the dysfunctionality of the central government in Baghdad becomes self-evident as it has not bothered to access and utilise nearly USD 500 million in loans available from international contributions to the Iraqi oil sector.

This can only be achieved by Iraq enacting and swiftly implementing comprehensive hydrocarbon legislation that defines the distribution of future oil revenues and the rights of foreign investors. Until this legislation is enacted and implemented, it would be very difficult, if not impossible, for Iraq to attract the billions of dollars in foreign investment it needs to modernise the oil sector. According to the State Dept., as of July 13 2007, Iraq's cabinet had approved only one of four separate but interrelated pieces of legislation – hydrocarbon framework legislation that establishes structure, management and oversight for the sector. This draft legislation is currently being considered by Iraq's parliament. A second piece of legislation, the revenue-sharing legislation, has been drafted but not approved by Iraq's cabinet. Two other pieces of legislation that would structure the Ministry of Oil and establishing the role INOC have not been drafted.

According to State Dept., the passage and implementation of all four laws is essential to achieve increased transparency, accountability and revenue management. However, poor security, corruption, lack of central government unity and trust has impeded the implementation of the legislation.

The central government should enact the following hydrocarbon and energy related issues;

- a. Develop an integrated energy strategy for the oil & electricity that identifies and integrates key short-term and long-term goals and priorities for rebuilding, maintaining and securing the infrastructure; funding needs and sources, stakeholder roles and responsibilities, including steps to ensure seamless coordination of

ministerial efforts with the full collaboration and involvement of Iraqi and foreign private sector.

b. Assign resources and set milestones to expedite efforts to establish an effective metering system for the oil sector that will enable Ministry of Oil to more effectively manage its network and finance improvement and combat black market oil economy.

c. Improve existing legal and regulatory framework and pass the vital and equitable hydrocarbon legislation which in turn should enable effective management and development of the Iraqi oil sector and result in increased revenues to fund future development and essential services.

d. Assign resources and set milestones to expedite efforts to develop adequate ministry budgeting, procurement and financial management systems.

e. Introduce and implement a viable investment programme to secure the necessary private Iraqi and foreign funding for Iraq's future oil and electricity rebuilding needs.

Iraq National Oil Company (Inoc) should focus on currently producing fields only, to rehabilitate them and maximise production to four million barrels per day - a huge task in itself.

In the meantime, the Inoc should invite private-sector companies (both Iraqi and international) to make the hundreds of billions of dollars of investments necessary to develop the remaining fields and carry out exploration, all under risk-reward (not service) contracts which would achieve maximum investment and while ensuring highest returns to the State.

A critical element of a successful legislative framework will be the clear and unequivocal separation of powers and roles between the 'regulator' (i.e. the Government), and the 'regulated' (all the investing companies, including Inoc and the private-sector companies).

With this in mind, there are eight key principles that could make or break the success of Iraq's petroleum policy and regulatory framework:

1) **The central objective.** As far as petroleum policy and regulatory framework is concerned, the objective for Iraq is actually straightforward: it must simply be to maximise the economic return to the Iraqi people. This is essentially a function of three elements: maximising optimal production, as rapidly as possible, and under the best commercial terms for the State. Just that, without embellishment or confusing complication.

2) **The role of the state.** The role of the state is important and required as a powerful and effective policymaker and regulator, overseeing the entire sector and all the companies operating within it, while setting the necessary policies and standards, and focusing on maximising the economic rent to the state from these operations. If the government engages in operating and commercially managing the sector, it compromises its own role as an effective regulator.

3) **The need for the private sector.** Iraq's current oil production of around two million barrels is at the same level as it was in 1975, at the time of nationalisation, and a fraction of where it ought to be given Iraq's hydrocarbon reserves. There ought

to be no doubt whatsoever that petroleum exploration, and the development of undeveloped oil and gas fields going forward, needs to be undertaken through the private sector. Awarding proper 'risk' contracts, in whatever form, is the only way to engage the private sector, including Inoc's, into aligning their interests with those of the State and put their full resources - financial, technical, and managerial - behind the effort.

Indeed production sharing agreements are not some tool of foreign domination as it has been claimed and maligned by some. This model is simply a way of ensuring the minimum required reward for the investing company to maximise benefits to the state.

4) **Rationale for Inoc.** Inoc should not divert its attention and resources from the crucial task of managing and rehabilitating currently producing fields, and therefore should not be permitted to engage in other work such as development of Iraq's undeveloped fields, or in exploration, or in foreign investment, or in petroleum services. Above all, Inoc must not in any way take on the role of a regulator, which must remain the exclusive and separate function of the regulatory bodies of the State such as the Federal Oil and Gas Council, and the concerned ministries at federal and state level.

Finally and critically, attempts by some politically-motivated parties to grant between 80 and 90 per cent of Iraq's reserves to Inoc would kill any hope for rapid economic progress for Iraq and risk a permanent retardation of the development of Iraq's vital energy sector.

5) **Use of state funds.** The estimated required investments to fully and properly develop the Iraqi oil sector range from the tens to hundreds of billions of dollars. It is therefore clear that the needs are huge, and Iraq today has large debts already of the same order, and competing higher priorities for state funds such as basic infrastructure, security, health and education.

In any case state funds or credit lines should not be used up for commercial enterprise investments when private sector investment is available.

6) **Commercial terms.** Some responses to the bill have accused the drafters of 'selling out to foreign interests' or 'giving away 70 per cent of Iraq's oil wealth'. This is nonsense of course. Empty nationalist rhetoric must not cloud the reality of practical economic logic. As the world's last major undeveloped oil basin, Iraq can and should extract excellent commercial terms from companies, given its relatively low cost of production, large reserves, and today's high oil prices.

7) **Ambiguities in the current draft law.** The draft law appears to grant Inoc the right to develop undeveloped fields, and even undertake exploration, yet without accountability or forethought as to the cost to the state's treasury. If Inoc is given the right to take over everything, then we will in practice have not advanced one bit and an oil and gas law to regulate investment in this sector will be unnecessary.

8) **Iraqi private sector.** A final but important element of a successful policy must be the development and encouragement of an active indigenous Iraqi private sector in all aspects of Iraq's petroleum industry. This not only gives the best chance of maximising Iraqi employment, positive economic multiplier effects, technology transfer, and a globally competitive management and workforce, but it is also the best answer to the xenophobic critics of 'foreign domination'.

As I have mentioned several times in this paper, US and UK must do more on the ground to support high visibility infrastructure projects and provide the necessary security around the project facilities. Basic living standards must be raised, pressure must be exerted on the Iraqi government to move on key legislations to implement the much needed economic boost. Half-hearted and ill-conceived measures cannot be the way forward. Building a new democracy, regardless how difficult it may be, should be the only credible way forward in Iraq. With this notion all of the political leaders in Iraq must take appropriate measures and act in unity and be sincere in the reconciliation process without forgetting the local and regional realities.

As we move towards the end of summer it seems as if a general consensus is developing that stabilising Iraq under its new system is in everyone's interest. For all that, however, the big game in Iraq is still in its early stages. There are many entities that remain committed to destroying Iraq and quite a few powers still wish to hedge their bets. The struggle for Iraq is far from over, however the coalition forces must stay the course and show grit determination to rebuild a destroyed Iraqi nation under the new democratic and secular Iraqi national system. It would be too grim and horrid to think otherwise. We must not waste time with hollow and delusional ideas such as the Cut and Run policy or partitioning Iraq into three separate states, as advocated by some belligerent, so-called enlightened, circles in the US and UK. It is not too late to come together and apply intelligent policies which would endure the test of time and catalyse the forces of positivity within the Iraqi society and help rebuild a new democratic and secular Iraqi nation.

Finally, we must not forget the bravery and the courage of the service man and woman of the coalition forces and progress that has been made in several areas, including Anbar province and therefore never falter from the ultimate goal of rebuilding a democratic Iraq, despite experiencing intellectually bankrupt policies of the CPA, the Iraq war was always winnable and it still is.

End

Mr Hüseyin Gün is Managing Director of Avicenna Capital, a private investment vehicle that invests in strategic assets (oil & gas, mining, banking) with particular focus on the Former Soviet Union, Middle East & Asia. He is also a member of International Institute for Strategic Studies, London. He is the former Chairman of the Advisory Board of Global Fairness Initiative (GFI) in Washington DC. GFI's Board of Directors is chaired by the 42nd US President Bill Clinton.