

The Broader Crisis in Iraq

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It is tempting to focus solely on the evolving political crisis and power struggle between Prime Minister Maliki and his opponents, but this is only part of the crisis in Iraq.

Iraq's Broader Political and Governance Challenges

As the current political crisis makes clear, Iraq still does not have anything approaching a stable government – or fully functioning democracy -- some 20 months after Iraq's most recent election on March 9, 2010.

The new leadership crisis, and Sunni-Shi'ite split that began on December 17, 2011 – just as the final element of US troops withdrew from Iraq – is only one aspect of the problem. It also reflects critical questions over whether Iraq's democracy can survive the way its security forces are now being used. Prime Minister Maliki attempted to arrest Vice President Hashimi for ties to a Baathist threat to the government and unmarked armored vehicles were sent to intimidate members of the opposition al-Iraqiyya Party.

[Al-Iraqiyya](#), the main opposition party charges that Maliki has taken control of the counter terrorism force and intelligence services, and is seeking to control the military by misusing his authority to make interim appoints at senior command levels. Sunni tension is rising in Anbar and Diyala Provinces, and Arab-Kurdish tension is rising in Mosul and Kirkuk.

More generally, the Council of the Republic barely functions and has not passed key legislation affecting Iraq's ability to secure investment and develop its economy. Provincial and local government ranges by weak to ineffective, and Iraqi democracy does not really function at a working level in many aspects of ordinary governance.

Iraq has suppressed its own Arab spring by force and a steady increase in censorship. A US Embassy study in mid-2011 produced devastating estimate of the level of popular Iraqi satisfaction with the level of governance. Nothing that has happen since seems likely to have done anything but increase popular anger at the level of corruption and incompetence – anger that easily translates into sectarian and ethnic tensions when one side is favored over the other.

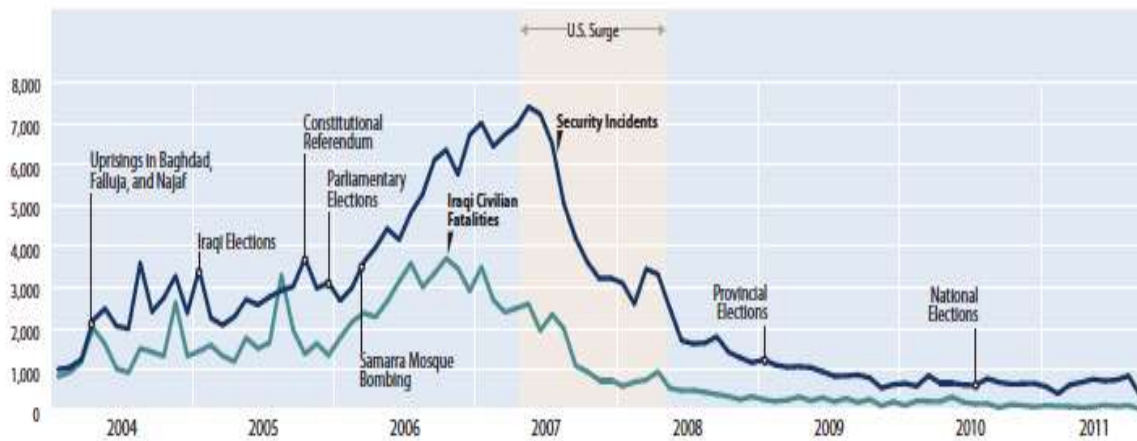
Provincial Governance: Dissatisfaction with Basic Services as a Potential Cause of Civil Unrest by Province

Uncertain Security

As the bombings in Baghdad and other parts of Iraq have made all too clear, the US-led tactical victories during 2006-2008 did little more than reduce the level of a conflict that earlier US failures helped create. While they have reduced the level of “security incidents” in Iraq far below its peak in 2007, it is striking that other US data shows that Iraq was still far more violent than Afghanistan at least through the end of 2010 – the last period for which unclassified data are available.

US Government Estimates of the Levels of Violence in Iraq: 2003-2011

MONTHLY SECURITY INCIDENTS AND CIVILIAN FATALITIES, 1/2004-9/2011



Note: Data not audited. Totals for September 2011 include data through September 23. “U.S. Surge” denotes period when at least 150,000 U.S. troops were in Iraq.

Sources: USF-I, responses to SIGIR data calls, 1/4/2011, 4/12/2011, 7/1/2011, and 10/5/2011; Brookings Institution, Iraq Index, 6/30/2010, pp. 3-4.

TABLE 4.5
PEOPLE KILLED, INJURED, OR KIDNAPPED IN ACTS OF TERRORISM, 2006-2010
 % of Worldwide Total

COUNTRY	2006	2007	2008	2009	2010
Worldwide	74,695	71,795	54,263	58,711	49,901
Iraq	38,817 (52.0%)	44,014 (61.3%)	19,077 (35.2%)	16,869 (28.7%)	15,109 (30.3%)
Afghanistan	3,534 (4.7%)	4,467 (6.2%)	5,479 (10.1%)	7,582 (12.9%)	9,016 (18.1%)

Source: DoS, “Country Report on Terrorism 2010,” 8/18/2011.

Source: SIGIR, Quarterly Report, October 30, 2011, p 58

Uncertain Iraqi Security Forces

The US military were able to create Iraqi security forces capable of supporting US forces in winning major victories in 2007-2008. The Iraqi budget crisis that began in 2008, however, crippled key aspects of the qualitative development of Iraq's forces and its ability to implement its own development plan. The political crisis that began in 2009 has gravely weakened the efforts of both Iraq's Minister of Defense and Ministry of Interior and has made Prime Minister Maliki's office the de facto command and promotion center of the security forces.

Prime Minister al-Maliki served as both acting Minister of Interior and Acting Minister of Defense after late 2010. In August 2011, he made Sa'adoun al-Dualism, acting Minister of Defense, al-Dulaimi was previously the Minister of Culture and is little more than a front man, Al-Maliki is still the acting head of the MOI, although SIGIR reports that Adnan al-Aside is a Senior Deputy Minister who manages the day-to-day operations of the ministry.

The Iraqi armed forces are getting steadily better in spite of these problems, but at a much slower rate than planned, and they are becoming steadily more politicized and key elements are effectively under the personal control of Prime Minister Maliki. Maliki routinely by passes the formal chain of command – “command by cell phone” – and use his ability⁷ to make interim promotions and appointment to bypass review by the council of the Republic.

At the same time, US advisors report that many low and mid-level command positions, as well as ordinary positions, in the armed forces and police are sold, regardless of the past US emphasis on training and promotion based on merit.

The police are reverting to a local force where many trained police are leaving and where the local justice system and quality and integrity of governance are uncertain. Iraq's rule of law is subject to corruption, and to sectarian, ethnic, and tribal influence. US and other efforts to improve the justice system have had limited impact at best.

The end result is the extraordinarily large force shown in the table below. It is, however, in many ways a hollow force with an army increasing subject to political interference and promotion for pay, and a force under the Ministry of Interior that is a vast job program and one with an authorized strength more than twice that of the armed forces.

IRAQI SECURITY FORCES, AS OF 10/10/2011

SERVICE		ASSIGNED PERSONNEL
Ministry of Defense	Iraqi Army	200,000
	Training and Support	68,000
	Air Force	5,053
	Navy	3,650
	Army Air Corps	2,400
	Total MOD	279,103
Ministry of Interior	Iraqi Police	325,000
	Facilities Protection Service	95,000
	Training and Support	89,800
	Department of Border Enforcement	60,000
	Iraqi Federal Police	45,000
	Oil Police	31,000
	Total MOI	645,800
Counter-Terrorism Force		4,200
Total		929,103

Note: Numbers affected by rounding. Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Source: GOI, MOI IG, Information provided to SIGIR, 10/10/2011.

Iran and the Power Vacuum in Iraq

The Iraqi forces are hollow in other ways. Iraq may be able to rebuild its conventional forces with US help, but the net effect of the US invasion in 2003 was to destroy Iraqi forces that were at least as strong as those of Iran. US experts quietly estimate that it will be 2016 before Iraqi forces begin to be strong enough to act as a major deterrent and defense against Iran.

Iraqi and Iranian Military Forces: February 2003 versus End-2010

Category	2003			2010		
	Iraq	Iran	Force Ratio	Iraq	Iran	Force Ratio
Active Manpower	424,000	513,000	8:10	191,957	523,000	2:5
Reserve Manpower	650,000	350,000	19:10	0	350,000	NA
Main Battle Tanks	2,200	1,565	7:5	149	1,613	1:10
OAFVs	1,300	815	8:5	505	725	7:10
APCs	2,400	590	4:1	1,479	650	23:10
Towed Artillery	1,900	2,085	9:10	0	2,010	NA
SP Artillery	150	310	1:2	0	310	NA
MRLs	200	889	1:5	0	876	NA
Combat Aircraft	316	283	11:10	0	312	NA
Attack Helicopters	100	85	6:5	0	50	NA
Major SAM Launchers	225	205	11:10	0	234	NA

Source: Adapted by Anthony H. Cordesman from IISS, The Military Balance, various editions; Jane's sentinel series

Iraq's Critical Economic Challenges

The CIA estimates that Iraq's per capita income is so low that it ranks 161st in the world – compared with Qatar that ranks 1st, Kuwait that ranks 10th, Saudi Arabia that ranks 55th, and Iran that ranks 104th. Provincial and local governance is poor, and corruption is rampant. The US not only faces the challenge of Iran's presence in Iraq, but the fact Iraq remains a fragile state with uncertain security and political and economic stability.

Iraq has a level of corruption that Transparency International ranked 175th out of 182 countries in 2011 – making it the seventh most corrupt country in the world.ⁱ In spite of more than half a decade of faltering legislative efforts, Iraq has failed to pass effective investment, tax, and property laws to secure both domestic and foreign investment as well as to create effective security forces to protect its infrastructure and businesses.

A budget crisis that lasted from 2008 to 2010, and a political crisis that began long before the March 2010 election that produced a de facto stalemate in many aspects of governance have added to these economic problems as well as sharply delayed critical qualitative improvements in every branch of Iraq's national security forces. Iraq's economy remains crippled by a lack of local security in many areas, and Iraq has not been able to absorb and support many of the aid projects funded during the US occupation, and its problems in national governance have been compounded by corruption.

Iraq's agricultural sector, which accounts for some 22% of its labor force, only accounts for 9.7% of its GDP even when it is measure in PPP terms, and Iraq's farmers are so under capitalized, limited by transport and food processing facilities and costs, and by growing problems in water that they cannot compete with Turkish and Iranian food imports.

Roughly 25% of the population lives below the poverty line, and its direct unemployment is at least 15% and its real direct and indirect unemployment probably equally at least 25% -- heavily weighted toward youth unemployment in a nation experiencing massive demographic pressure and with nearly 40% of its population 14 years of age or younger.ⁱⁱ

Iraq's problems are compounded by population growth and a youth explosion that the US census bureau estimates that raised Iraq's total population from 5.2 million in 1950 to 11.1 million in 1975, and 28.9 million in 2009. It was 30.4 million in 2011, and will increase it 40.4 million in 2025 and 56.3 million in 2050. This pressure account for much of the youth bubble in unemployment, and the pressure involved has driven many young Iraqi's off the land and created 66% urbanization in a once rural country. The pressure of population growth is illustrated by the fact that the CIA estimates that 654,000 young Iraqis (332,000 men and 322,000 women) reached working age in 2010, or some 8% in one year of a total labor force of 8.5 million.

“Oil Wealth” versus “Oil Curse?”

Virtually all of Iraq's disposable wealth comes from its petroleum sector, and related services, which the CIA describes as follows,ⁱⁱⁱ

Iraq's economy is dominated by the oil sector, which provides over 90% of government revenue and 80% of foreign exchange earnings. Since mid-2009, oil export earnings have returned to levels seen before Operation Iraqi Freedom and government revenues have rebounded, along with global oil prices. In 2011 Baghdad probably will increase oil exports above the current level of 1.9 million barrels per day (bbl/day) as a result of new contracts with international oil companies, but is likely to fall short of the 2.4 million bbl/day it is forecasting in its budget.

Iraq has not been able to survey its oil and gas reserves, or invest efficiently in their development since the Iran-Iraq War began in 1980, and Iraq began more than 30 years of crisis. The Energy Information Agency of the US Department of Energy notes that,^{iv}

Iraq's proven oil reserves are 115 billion barrels, although these statistics have not been revised since 2001 and are largely based on 2-D seismic data from nearly three decades ago. Geologists and consultants have estimated that relatively unexplored territory in the western and southern deserts may contain an estimated additional 45 to 100 billion barrels (bbls) of recoverable oil. Iraqi Oil Minister Hussain al-Shahristani said that Iraq is re-evaluating its estimate of proven oil reserves, and expects to revise them upwards.

A major challenge to Iraq's development of the oil sector is that resources are not evenly divided across sectarian-demographic lines. Most known hydrocarbon resources are concentrated in the Shiite areas of the south and the ethnically Kurdish north, with few resources in control of the Sunni minority.

The majority of the known oil and gas reserves in Iraq form a belt that runs along the eastern edge of the country. Iraq has 9 fields that are considered super giants (over 5 billion bbls) as well as 22 known giant fields (over 1 billion bbls). According to independent consultants, the cluster of super-giant fields of southeastern Iraq forms the largest known concentration of such fields in the world and accounts for 70 to 80 percent of the country's proven oil reserves. An estimated 20 percent of oil reserves are in the north of Iraq, near Kirkuk, Mosul and Khanaqin. Control over rights to reserves is a source of controversy between the ethnic Kurds and other groups in the area.

...Iraq has begun an ambitious development program to develop its oil fields and to increase its oil production. Passage of the proposed Hydrocarbons Law, which would provide a legal framework for investment in the hydrocarbon sector, remains a main policy objective. Despite the absence of the Hydrocarbons Law, the Iraqi Ministry of Oil signed 12 long-term contracts between November 2008 and May 2010 with international oil companies to develop 14 oil fields. Under the first phase, companies bid to further develop 6 giant oil fields that were already producing with proven oil reserves of over 43 billion barrels. Phase two contracts were signed to develop oil fields that were already explored but not fully developed or producing commercially. Together, these contracts cover oil fields with proven reserves of over 60 billion barrels, or more than half of Iraq's current proven oil reserves.

As a result of these contract awards, Iraq expects to boost production by 200,000 bbl/d by the end of 2010, and to increase production capacity by an additional 400,000 bbl/d by the end of 2011. When these fields are fully developed, they will increase total Iraqi production capacity to almost 12 million bbl/d, or 9.6 million bbl/d above current production levels. The contracts call for Iraq to reach this production target by 2017.

...Iraq faces many challenges in meeting this timetable. One of the most significant is the lack of an outlet for significant increases in crude oil production. Both Iraqi refining and export

infrastructure are currently bottlenecks, and need to be upgraded to process much more crude oil. [Iraqi oil exports](#) are currently running at near full capacity in the south, while export capacity in the north has been restricted by sabotage, and would need to be expanded in any case to export significantly higher volumes.

Production increases of the scale planned will also require substantial increases in natural gas and/or water injection to maintain oil reservoir pressure and boost oil production. Iraq has associated gas that could be used, but it is currently being flared. Another option is to use water for re-injection, and locally available water is currently being used in the south of Iraq. However, fresh water is an important commodity in the Middle East, and large amounts of seawater will likely have to be pumped in via pipelines that have yet to be built. ExxonMobil has coordinated initial studies at water injection plans for many of the fields under development. According to their estimate, 10 -15 million bbl/d of seawater could be necessary for Iraq's expansion plans, at a cost of over \$10 billion.

...According to the Oil and Gas Journal, Iraq's proven natural gas reserves are 112 trillion cubic feet (Tcf), the tenth largest in the world. An estimated 70 percent of these lie in Basra governorate (province) in the south of Iraq. Probable Iraqi reserves have been estimated at 275-300 Tcf, and work is currently underway by several IOCs and independents to accurately update hydrocarbon reserve numbers. Two-thirds of Iraq's natural gas resources are associated with oil fields including, Kirkuk, as well as the southern Nahr (Bin) Umar, Majnoon, Halfaya, Nassiriya, the Rumaila fields, West Qurna, and Zubair. Just under 20 percent of known gas reserves are non-associated; around 10 percent is salt dome gas. The majority of non-associated reserves are concentrated in several fields in the North including: Ajil, Bai Hassan, Jambur, Chemchemical, Kor Mor, Khashem al-Ahmar, and al-Mansuriyah.

Iraqi natural gas production rose from to 81 billion cubic feet (Bcf) in 2003 to 522 Bcf in 2008. Some is used as fuel for power generation, and some is re-injected to enhance oil recovery. Over 40 percent of the production in 2008 was flared due to a lack of sufficient infrastructure to utilize it for consumption and export, although Royal Dutch Shell estimated that flaring losses were even greater at 1 Bcf per day. As a result, Iraq's five natural gas processing plants, which can process over 773 billion cubic feet per year, sit mostly idle.

...Furthermore, Iraq's oil and gas industry is the largest industrial customer of electricity, with over 10 percent of total demand. Large-scale increases in oil production would also require large increases in power generation. However, Iraq has struggled to keep up with the demand for power, with shortages common across Iraq. Significant upgrades to the electricity sector would be needed to supply additional power.

Iraq has further problems because it has been much slower in establishing the laws necessary to secure investment, political support for outside investment, a solution to Arab-Kurdish power struggles over its reserves (that may soon be followed by Sunni-Shi'ite struggles), an effective oil police and security structure, electricity and water capacity. It heavily subsidizes domestic petroleum prices in ways that reduce export capacity and increase domestic demand in inefficient ways, and is only slowly acquiring the refinery capacity to avoid having to make major imports of refined products. Both the US EIA and the International Energy Agency also estimate that Iraq's future production will increase at far slower rate than those claimed by Iraq's oil ministry.

The EIA *International Energy Forecast for 2011* projects a far slower increase in Iraqi oil production than Iraq. It estimates that Iraqi production will increase from 2.4 million barrels per day (MMBD) in 2009 to the follow levels under direct scenarios:^v

- 2.9 MMB in 2015, 4.5 MMBD in 2025, and 6.3 MMBD in 2035 in the high oil price case
- 2.7 MMB in 2015, 3.2 MMBD in 2025, and 3.9 MMBD in 2035 in the high oil price case.
- 3.2 MMB in 2015, 5.8 MMBD in 2025, and 8.9 MMBD in 2035 in the traditional low oil price case.

These production levels indicate Iraq will be very lucky to reach half of its goal of 12 MMBD in 2017. They also tend to favor Iran. A slow increase in Iraq production will keep Iran's oil export prices higher. It also will increase the cost of sanction to the US and other importing states. This is particularly important because the US pays world oil prices for even its domestic oil production, and the Department of Energy estimates that any talk of US "independence" from petroleum imports remains a dishonest political myth.

The US Department of Energy *Annual Energy Outlook for 2011* – which is based on optimistic estimates of alternative energy production and improvements in conservation and energy efficiency – estimates that the US will only reduce its dependence on petroleum imports from 52% in 2009 to 41% in 2035 in its reference case – and these estimates do not include indirect petroleum imports in the form of major imports of manufactured goods from regions like Asia – which are becoming far more dependence on petroleum imports from the Gulf.^{vi}

U.S. imports of liquid fuels (including crude oil, petroleum liquids, and liquids derived from nonpetroleum sources), which grew steadily from the mid-1980s to 2005, have been declining since 2005. In the *AEO2011* Reference and High Oil Price cases, imports of liquid fuels continue to decline from 2009 to 2035, although they provide a major part of total U.S. liquids supply over the period. Tighter fuel efficiency standards and higher prices for liquid fuels moderate the growth in liquids demand, even as the combination of higher prices and renewable fuel mandates leads to increased domestic production of both oil and biofuels. Consequently, while consumption of liquid fuels increases steadily in the Reference case from 2009 to 2035, the growth in demand is met by domestic production.

The net import share of U.S. liquid fuels consumption fell from 60 percent in 2005 to 52 percent in 2009. The net import share continues to decline in the Reference case, to 42 percent in 2035...In the High Oil Price case, the net import share falls to an even lower 24 percent in 2035. Increased penetration of biofuels in the liquids market reduces the need for imports of crude oil and petroleum products in the High Oil Price case. In the Low Oil Price case, the net import share remains flat in the near term, then rises to 56 percent in 2035 as demand increases and imports become cheaper than crude oil produced domestically.

While the high price oil case does lead to a faster increase in the production of alternative liquids and in conservation and efficiency, it also means massive increases in the cost of energy throughout the US economy. It also still leaves the US driven by international oil prices, dependent on indirect imports of petroleum in the form of manufactured goods, and as strategically dependent on the secure flow of global petroleum exports for a steadily more globalized US economy as if the percentage of direct US petroleum imports was the same as in the reference or high price oil case.

ⁱ <http://cpi.transparency.org/cpi2011/results/>.

ⁱⁱ CIA, World Factbook 2011, <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>, accessed December 20, 2011,

ⁱⁱⁱ CIA, World Factbook 2011, <https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html>, accessed December 20, 2011,

^{iv} DOE/ EIA, *Iraq, Country Report*, <http://www.eia.gov/countries/cab.cfm?fips=IZ>.

^v EIA, *International Energy Outlook 2011*. Department of Energy, September 2011, pp. 229-245.

^{vi} EIA, *Annual Energy Outlook 2011*. Department of Energy, April 2011, pp. 2, 83.