



**Scott Wilcox Middle East**

Management & Advisory Services

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## Iraq Report : 08 - 14 August 2012





## Key Judgements

- In two separate statements this week, Iraqi officials said they desired a better relationship with neighbouring Turkey, but that Turkey would have to cease dealing with semi-autonomous Kurdistan as though Kurdistan was an independent nation. Turkey, for its part, has not responded as of yet.
- Al Qaeda's wing in Iraq, the Islamic State of Iraq, has claimed responsibility for 28 attacks across the country between mid-June and the end of July in a statement posted online.
- The Iraqi central government directly warned oil companies ExxonMobil and Total over their contracts with Kurdistan, and threatened Total with expulsion from its holdings in the giant Halfaya oil field in southern Iraq if it does not comply and release its Kurdistan deals.

**This report assesses political, security and economic issues that have arisen over the past week. For a detailed record of security incidents occurring in Iraq, subscribers should refer to SWME Online Information System ([www.scottwilcox.me/ois](http://www.scottwilcox.me/ois)).**

## Political Situation

**Iraqi VP trial to finish next month:** The trial of Iraqi Vice President Tareq al Hashemi will conclude in September following the closing statements from both the prosecution and the defence, a judge announced on 14 August. Al Hashemi is charged with approximately 150 different counts of terror, with this trial focused on the assassinations of two security officials and a lawyer. For his part, Al Hashemi, a Sunni, denied the charges, claiming they were politically motivated, and fled the country last December when they were filed. He was last seen in Turkey, whose refusal to extradite him has been a source of tension between Turkey and Iraq. His website now states that he is in Doha, Qatar. Al Hashemi is being tried in absentia.

**U.S Ambassador to Turkey says Iraqi Kurdish President not doing enough against terror group:** American Ambassador to Turkey, Francis Ricciardone, has publically stated that the United States is unhappy with the efforts of Iraqi Kurdish President Massoud Barzani in combating the terrorist group the Kurdistan Workers' Party (PKK). The group is based in south-eastern Turkey, but frequently crosses the border into semi-autonomous Iraqi Kurdistan to operate there in relative safety. The statement comes in the wake of the kidnapping of a Turkish politician by the PKK on 12 August. The ambassador was careful to stress that the border areas were still not under full control, and that Barzani was a 'friend' and 'an important figure' for America, but that 'more needs to be done.' He said intelligence sharing and cooperation would continue between the Turkish and U.S governments to combat the PKK in both south-eastern Turkey and northern Iraq.

**Kurdish President courts relationship with China:** The President of the semi-autonomous Kurdistan region, Massoud Barzani, stated the KRG's willingness to strengthen their relationship with China, especially in the industrial, agricultural, and tourism markets. The Chinese, along



with 24 other nations, have in recent years opened a consulate in Kurdistan. The Chinese ambassador to Kurdistan stressed China's commitment to Kurdistan and its intention to increase bilateral relations with Kurdistan, as well as with the rest of Iraq.

**Iraqi PM slams Turkish dealings with Kurdistan:** Iraqi Prime Minister Nouri al Maliki released a statement on 11 August decrying Turkey's relationship with semi-autonomous Kurdistan. 'Turkey is dealing with the region as an independent state, and that is rejected by us,' Maliki said in a television interview. He said good relations with the region must come through the central government in Baghdad, not Kurdistan. Baghdad and Kurdistan have been at odds over Kurdistan's increasingly independent actions, and Turkey's economic and political relationship with the region—including oil and gas deals deemed illegal by the central government—have soured relations between Ankara and Baghdad.

**Iraqi PM says he favours improved relations with Turkey:** Iraqi Prime Minister Nouri al Maliki said in a statement on 12 August that he would enjoy improved relations between Turkey and Iraq. 'We favour the strengthening of relations between the governments. And we want relations with Turkey to be better than they were before,' he said in a statement to the media. The comments come on the heels of a statement the previous day in which Maliki criticized Turkey for its on-going economic and political relationship with Kurdistan, including independent gas and oil deals, and said that if Turkey wishes to maintain a relationship with Iraq, it must do so through the central government in Baghdad.

**KRG is working to legalize Peshmerga status, says deputy PM:** The Kurdistan Regional Government (KRG) is currently working to legalize the status of Kurdistan's Peshmerga forces, according to the KRG Deputy Prime Minister Imad Ahmed. The first part of the task has already been completed, he said, without specifying further, and now the KRG is reorganizing the Peshmerga on a legal basis. The comments arrived amid increasingly sour relations between the central government in Baghdad and the KRG and the disagreement over the role of the Peshmerga—and Kurdistan—in Iraqi society. The constitution states that the Peshmerga are a part of the Iraqi security forces, which means the central government should include them in its budget, according to the KRG. Baghdad has thus far refused and the KRG has been paying the Peshmerga costs themselves. Ahmed also addressed the Peshmerga forces stationed near the disputed oil-rich city of Kirkuk, saying, 'It has become your duty to defend and preserve the security and property of citizens, particularly in the disputed areas. You must defend them against terrorist and the enemies of the people.'

**Analyst's Comment:** This week sees further worsening of the central government-KRG relationship as Kurdistan continues to assert its perceived independence and Baghdad continues to push back. A tense faceoff occurred last week when Iraqi security forces and the Peshmerga were ordered to the same disputed area along the Syrian border. Both groups eventually agreed to pull back with encouragement and mediation from U.S. officials, but the incident highlighted the fragility of their relationship, strained, it appears, to almost a breaking point. Baghdad and the KRG have clashed on major political, economic, and security matters in recent weeks, and Baghdad's rhetoric has grown increasingly strident as it calls on both countries and foreign



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companies to cease independent dealings with Kurdistan. The KRG, for its part, has not backed down, as demonstrated by its courting of China in the wake of Baghdad's warnings to Turkey about its relationship with Kurdistan. The on-going conflict in neighbouring Syria has also deeply exacerbated existing rifts. Shiite-dominated Baghdad, allied with Iran, has refused widespread calls for Syrian President Assad Bashir's resignation while Sunni-majority Kurdistan has welcomed Syrian rebel representation, most of whom are also Sunni. The concept of the rebels and the KRG presenting a united front in a post-Assad regime undoubtedly makes Baghdad very nervous, and it should not be a surprise to see further national troop deployments in disputed areas as the Syrian conflict grows worse.

## **Security Situation**

**UN experts denounce situation at Iranian dissident camp in Iraq:** Ten United Nations human rights experts have issued a statement decrying the 'appalling situation' of the 3,400 Iranian dissidents living in Iraq and raising fears of a massacre by Iraqi security forces. The dissidents are members of the People's Mujahedeen Army (MEK), who have been fighting for the downfall of the Iranian regime since the 1970s. They were welcomed in Iraq under former dictator Saddam Hussein, but the current Shiite-led government, which now has close ties with Iran, has been seeking to remove them for some time. The Iraqi government demanded that MEK relocate from their current base at Camp Ashraf to a former U.S. Army facility near Baghdad, Camp Liberty. Some 2,000 have completed the move, but an additional 1,200 have refused, saying the conditions at Camp Liberty are not up to humane standards. The Iraqi government had previously demanded everyone complete the transfer by 20 July, and has said that they will force the inhabitants out of Ashraf if necessary. Raids on Camp Ashraf in 2009 and 2011 by security forces left dozens dead and hundreds wounded. 'We call for the immediate intervention of the UN Secretary General, the U.S. Secretary of State Hillary Clinton, and the international community to prevent another humanitarian disaster,' the advisors to the UN Human Rights Council said.

**Arms smuggling reported across Iraqi-Syrian border:** The residents of low-income neighbourhoods in Iraqi cities are increasingly selling their personal weapons to arms dealers at high prices for smuggling to Syria, it has been reported. The Kalashnikov, one of the most common weapons in Iraq and usually worth a few hundred dollars, is now fetching up to \$1,500. Residents said weapons are being collected and then driven across the border to conflict-riven Syria for selling to rebels. The residents also said the collections were taking place openly, implying some collusion on the part of certain government officials. Some analysts believe the Iraqi government accepts the smuggling in an attempt to rid Iraq of its illegal weapons via the Syrian conflict. 'This operation has advantages for Iraq as it has led to a reduction in violence by collecting weapons in popular areas,' one Iraqi security expert said. 'The operation is going to spare the government the effort of collecting illegal arms in Iraqis' possession and is going to have a positive impact on the security situation.'

**Al Qaeda claims Iraqi attacks:** The al Qaeda wing in Iraq, the Islamic State of Iraq, has claimed 28 attacks between mid-June and the end of July in an online statement on 12 August. The incidents included the attack on a counter-terrorism headquarters in Baghdad on 31 July, which



the statement said killed 70 people. Iraqi officials, however, said only 21 people had died across Iraq that day, including in the counter-terrorism attack. Among the other attacks it claimed were 19 assassinations of security officials, who have been especially hard hit in recent weeks. The attacks are all part of al Qaeda's new offensive aimed at retaking lost territory, the group said. al Qaeda had previously also claimed responsibility for a series of coordinated attacks on 23 July across the country that left 113 people dead, making it the bloodiest day in Iraq in two years.

**Analyst's Comment:** The bloodshed witnessed in July has continued into August, with at least 91 people killed in attacks across the country this month. Security forces have been particularly hard hit by the violence, representing over half of the casualties. Sectarian incidents are also on the rise; in one attack this week, insurgents detained a number of travellers on a road in northern Iraq, then released the Sunnis and killed the Shiites, execution-style. Attacks aimed at enflaming sectarian tensions, as well as the targeting of security forces, are al Qaeda hallmarks. Neither is surprising, based on al Qaeda's newly-announced offensive in the country, and further such incidents should be expected.

## **Economic Situation**

**Iraqi officials warn oil companies over Kurdistan deals:** The deputy Prime Minister of Iraq, Hussein al Shahrastani, said on 12 August that the government would definitively end relations with foreign companies who proceed to work in semi-autonomous Kurdistan without Baghdad's approval. 'Iraq will end dealings with any company of whatever nationality and size in the oil industry if they violate Iraqi law. All of the companies have been informed about it.' He specifically singled out American ExxonMobil, which last year signed contracts with the KRG for six oil blocks, and French Total, which only in recent weeks signed contracts. Shahrastani said no action had been taken against ExxonMobil because the oil giant had offered assurances that its work in the region was only for exploration purposes. Total was told to sell its new acquisitions in Kurdistan or face the loss of its shares in the newly opened Halfaya oil field, a massive exploration bloc in southern Iraq. ExxonMobil also have assets in Iraq beyond its dealings in Kurdistan, which are at risk if the central government does decide to begin expelling companies.

**Petrofac signs contract with Iraq's Southern Oil Company:** Petrofac, an oilfield services provider, has signed a contract with Iraq's Southern Oil Company worth \$100 million on 14 August. The contract will be for operations and maintenance work on new offshore oil export facilities in the Gulf and represents Petrofac's first foray into Iraq. The contract is valid for one year with the possibility of extension. Petrofac is listed on the London Stock Exchange with large operations in the United Arab Emirates.

**Analyst's Comment:** The direct statements against foreign oil firms ExxonMobil and Total by the Iraqi central government represent the strongest action taken against companies defying Baghdad to operate in Kurdistan so far. The Iraqi government has said previously that it is maintaining a blacklist of foreign companies who operate "illegally" in Kurdistan, but so far,



they have not followed through on any of their threats. As predicted last week, the government likely feels that it needs to demonstrate action against companies making deals with the KRG. Baghdad is increasingly losing oil business to Kurdistan—in recent weeks alone, U.S. firm Chevron, French Total, and Russian Gazprom all signed deals with the KRG for lucrative oil exploration contracts. On the other hand, the rest of Iraq has witnessed disappointing interest in its latest energy auction. Twelve exploration blocs were up for bidding, but only four were awarded. Kurdistan has more in the way of infrastructure, security, and attractive signing terms to lure companies from the central government despite warnings, and Baghdad might see following on an expulsion threat as the only way to demonstrate its sincerity. France's Total, which is a new minority holder of the southern Halfaya field at 18.75 per cent, might be the company that becomes that example if it chooses not to cooperate with Baghdad's demands to sell its Kurdistan assets.

### **Travel Advice**

- Iraqi police patrols, convoys, and stations remain high value targets for extremists; avoid them when and if possible.
- In light of the announcement of al Qaeda's new offensive in Iraq, as well as a continuing upswing in violence across the country, use extreme vigilance while traveling anywhere in Iraq and avoid crowds and checkpoints where possible.
- While the Peshmerga and Iraqi security forces have avoided actual clashes in the disputed areas in recent days, the disputed areas—particularly along the Syrian borders—remain sources of extreme tension. Avoid these areas if possible, as the presence of both groups in such close proximity to one another means the tension could boil over into an altercation at any time.
- The Syrian rebels reportedly control two of the three border crossings with Iraq, and security measures have been tightened on the Iraqi side of the border with additional troops. The border crossings should be avoided on both sides. Do not attempt to cross into Iraq via Syria, or Syria via Iraq. Syrian refugees are being allowed into Iraq, but they are subject to strict regulations upon arrival and not allowed to travel freely.
- Entry and exit visas for Iraq remain required; do not attempt to enter Iraq without the necessary entry approvals or you will face deportation.





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