



Scott Wilcox Middle East

Management & Advisory Services

Iraq Report : 12-18 July 2012





Key Judgements

- Relations between Turkey and Iraq continue to worsen this week, with Baghdad issuing statements condemning Turkey's on-going economic relationship with Iraq's semi-autonomous Kurdistan region.
- Iraq's warnings over violations of its airspace by unspecified neighbours comes on the heels of its requests for a rapid transfer of the 36 F-16 fighter jets, as well as other radar system and pilot training, that it has ordered from U.S. defence company Lockheed Martin.
- Iraq has signed three initial deals with international companies for oil and gas exploration in its southern and eastern provinces. All three contracts are pending final approval.

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).

Political Situation

Iraq urges a faster transfer of F-16 jets: The Iraqi government urged the Pentagon to speed up the delivery of the 36 F-16 fighter jets it ordered through the U.S. defence company Lockheed Martin. It is expected to complete a series of additional contracts with Lockheed Martin and other defence companies for missiles, radar systems, and other sophisticated weaponry worth \$10 billion over the course of the next few years. Baghdad is aiming to build up its weak security forces, but its arms acquisition plans have made both semi-autonomous Kurdistan, which frequently clashes with the central government, and the U.S., which has concerns about who these weapons will be used against, nervous.

Iran announces that it is always ready to help Iraq: Iranian Parliament Speaker Ali Larijani announced at a foreign policy meeting in Tehran with the head of Iraq's Parliament that Iran was standing by, 'to render any kind of help to Iraq in line with the establishment of durable peace and tranquillity in the region.' He also added that the on-going Syrian crisis could only be resolved through regional cooperation, with both Iran and Iraq, which is currently the president of the Arab League, wishing an end to the violence.

Defected Syrian ambassador criticizes Iraqi prime minister: The former Syrian ambassador to Baghdad, who defected last week and called for support for the rebels in the on-going Syrian crisis, criticized Iraqi Prime Minister Nouri al Maliki on his relations with Damascus. Before the conflict, Iraq had continually protested Syria's alleged failure to prevent insurgents and arms being smuggled into Iraq across the Syrian border. However, since the uprising against the Alawite—which is an off-shoot of the Shi'a Islam of Iraq's prime minister—regime began, Iraq has taken a stance of non-interference. Nawaf al Fares called the actions "contradictory," and said he suspected neighbour Iran was pressuring the Iraqi government into compliance with its own interests in Syria.



Iraqi government rejects U.S. offer to return half of Iraqi Jewish archives: The U.S. recently offered to return one half of the Iraqi Jewish archives that it had transferred to the United States following the 2003 invasion, but the Iraqi government has rejected the deal. The Iraqi Tourism and Antiquities Minister refused on the basis that the entire archive should be returned to Iraq, and that Iraq would not concede its rights to the other half, which was a part of the offer. The archives, which contain ancient Torahs, manuscripts, marriage records, and other documents, were transferred to the U.S. for “maintenance” after they were allegedly found soaking in sewage in the basement of a secret police building. The archive is a record of what was once one of the largest Jewish communities in the Middle East, stretching from the sixth century B.C. to the mid-20th century, when most left Iraq for the newly created state of Israel. Iraqi government officials said they have reliable evidence that the U.S. had actually transferred the archives to Israel, and have suspected cooperation with American archaeology and excavation missions within Iraq.

U.N. calls on Iraqi government and Iranian opposition group to find a peaceful solution: The U.N. Secretary-General said the Iraqi government and the Iranian opposition group the People’s Mujahedeen Organization (also known as MEK) that has been residing in Iraq since the 1970s to find a peaceful way to complete the group’s relocation. Baghdad has demanded that MEK, whose members are no longer welcome in Iraq under the Shiite-dominated government, move from their current home at Camp Ashraf to a former U.S. military base outside of Baghdad. About 2,000 MEK members have completed the move, but another 1,300 have refused until demands such as air conditioners and generators are met. The Iraqi government has set a deadline of 20 July for the transfer to be finished, and the UN has stressed the importance of both sides working together to successfully complete the move into the new camp. An Iraqi Army raid last year on Camp Ashraf left 34 MEK members dead.

Iraqi Prime Minister warns neighbours over airspace violations, Turkish flights grounded in Erbil: Iraqi Prime Minister Nouri al Maliki announced that Iraq would not “remain silent” about what he said were continued violations of Iraqi airspace by its neighbours. Maliki did not address any specific countries, but northern neighbour Turkey frequently carries out both aerial and ground operations against the Turkish guerrilla group, the Kurdistan Workers’ Party (PKK), across the border into Iraq’s semi-autonomous Kurdistan region. A few hours before the prime minister’s remarks, three Turkish passenger planes were grounded for eight hours when Iraq’s civil aviation authorities closed national airspace.

Analyst’s Comment: The intensifying of ties between Iran and Iraq comes at the same time as a marked worsening of relations between Iraq and neighbour Turkey. This week marked four different incidents that promise to further damage Iraq’s relations with Turkey: the Iraqi warning over airspace violations, most likely directed at Turkey; the grounding of three Turkish flights in the Kurdistan capital of Erbil; the Kurdistan Regional Government’s continued independent oil exports to Turkey; and Baghdad’s pointed statements about the illegality of these exports. Turkey and Iraq have been at odds since last year when Turkey refused to extradite fugitive Iraqi Vice President al Hashemi, who is wanted on charges of running a death squad. Sunni-majority Turkey has also actively courted semi-autonomous Kurdistan, angering Baghdad. Iraq’s recent



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push for a speedier transfer of F-16 fighter jets and other military equipment is likely to cause concerns for both Kurdistan and Turkey, which currently has a much more sophisticated air force. Turkey is also pushing for a more aggressive stance towards Syria, with the removal of Alawite President Bashar Assad, but Iraq and Iran have been hesitant to move beyond non-interference. It is likely that we will see the continued strengthening of an alliance between Shiite Iran and Shiite-dominated Iraq as relations with Sunni-majority neighbours weaken.

Security Situation

Iraqi bodies returned from Syria: A source at the Iraq-Syria Walid border port crossing told reporters that the bodies of 21 Iraqis who had been living in Syria were being returned to Iraq. The Iraqis were allegedly killed in clashes between the Syrian Army and opposition forces. While the report remains unconfirmed, it is estimated that 110,000 of Iraqi refugees who fled the conflict in their own country were residing in Syria when the crisis began last year.

Soldiers killed in bombing: Two off-duty soldiers returning home from duty were killed when a bomb struck their vehicle in Mosul. Police officials confirmed the casualties, but no further details were immediately available.

Attacks kill three in Diyala, one in Kirkuk: Three people, including a 5-year-old girl, were killed and 10 others wounded in a series of gun and bomb attacks in Diyala Province. Two shooting incidents killed the child in front of her home and a butcher in front of his shop, and three separate bombings in the provincial capital of Baquba wounded 10, including five anti-al Qaeda militiamen. In Kirkuk Province, a police captain died when the sticky bomb attached to his vehicle exploded.

Five dead in checkpoint attack in northern Iraq: Five members of the Iraqi security forces were killed and two wounded in the Turkomen town of Rashidiyah, northeast of Mosul city, when their checkpoint was attacked. The occupants of a vehicle that had been pulled over for inspection opened fire. Officials did not specify whether the casualties were members of the police or the army.

Analyst's Comment: While the number of dead and wounded this week was lower than last, violent incidents remain daily occurrences around the country, especially in the restive provinces between capital Baghdad and semi-autonomous Kurdistan. Members of Iraq's security forces remain particularly vulnerable both on and off duty.

Economic Situation

Baghdad warns Turkey over oil deal: The Iraqi government has warned Turkey that its oil deals with Iraq's semi-autonomous Kurdistan region could damage economic relations between the two countries. Earlier this month, Kurdistan announced the start of exports of crude oil and gas directly to Turkey, bypassing the central government in a series of negotiations Baghdad has called "illegal and illegitimate." Baghdad and Kurdistan have long argued over control of



the region's natural resources, with Baghdad claiming Kurdistan must work with the central government and Kurdistan stating that their own constitution allows direct agreements.

Iran-Iraq pipeline to be completed by 2014: Iranian Oil Minister Rostam Ghasemi announced that a planned gas pipeline between Iran and Iraq will be finished by 2014. The agreement to build the pipeline that will export 25 million cubic meters of gas from Iran to Iraq was signed last year. Iran has the world's second largest deposits of natural gas and has been attempting to increase its production via additional foreign and domestic investments.

Iraq signs oil deal with Kuwaiti and Russian companies: Iraqi Oil Ministry officials confirmed that a deal has been initiated with Kuwait Energy-led consortium for oil and gas exploration at a site in southern Iraq. If the final contract is approved, the consortium will be given five years to conduct oil and gas exploration in the Basra site, and if it is found profitable, the consortium will be able to apply for a 20 year development permit. Kuwait Energy's consortium partners are state-owned Turkish Petroleum Corp., and U.A.E.-based Dragon Oil PLC. If this deal is approved, it will be third oil contract awarded to Kuwait Energy. An initial deal was also signed with the Russian firm Lukoil for oil exploration west of Basra on similar terms as the Kuwaitis. Iraq is the holder of the world's third largest oil reserves, and recently bumped Iran from its spot as OPEC's number two oil exporter, just behind number one exporter Saudi Arabia.

Iraq signs deals with Pakistani company: Oil Ministry officials announced that Iraq has signed an initial deal with Pakistan Petroleum for natural gas exploration on a site in eastern Iraq. If the deal is approved, Pakistan Petroleum will conduct gas exploration operations in the Diyala and Wassit Provinces. Iraq has proven natural gas reserves of 112 trillion cubic feet, but as a result of under-developed infrastructure, it is only producing 1.5 billion cubic feet per day.

Analyst's Comment: Iraq held its fourth energy auction in late May, offering 12 new oil and gas exploration sites across Iraq, but only three foreign companies were awarded contracts: oils agreements for the consortium led by Kuwait Energy and the Russian firm Lukoil, and a natural gas agreement for Pakistani Petroleum. Meanwhile, the Kurdistan Regional Government has signed a number of oil and gas deals with international companies for exploration operations within its territory without Baghdad's consultation. In retaliation, the central government has blacklisted all companies involved.

Travel Advice

- Iraqi police patrols, convoys, and stations remain high value targets for extremists; avoid them when and if possible.
- Mosul and Kirkuk have experienced several deadly bombings and gunfire attacks in the past week; use extreme vigilance while traveling in these areas and avoid crowds and checkpoints where possible.



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- The Iraqi-Syrian border is enforcing restrictions on both sides; do not attempt to enter Syrian from Iraq, or Iraq from Syria. There have been unconfirmed reports from the Syrian opposition forces that the al Hasaka and al Raqqa tribes in Iraq are providing cross-border support to the Syrian rebels, though no weapons smuggling has been reported at this time.
- After its closure earlier this week, Iraqi airspace is open and commercial aviation into and out of Iraq is operating as normal. While civil aviation authorities said the shut down was for all flights due to a radar system failure, there are reports that only flights from Turkey and Saudi Arabia were affected; be advised that, with the recent worsening of relations between the central government and Turkey, Turkish flights may again be grounded while at Iraqi airports.
- 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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