

IRAQ

By Kyran Casteel

Mineral Industry Intelligence & Information, UK

There's dancing in the streets of Baghdad as we write, celebrating President Hussein's 65th birthday. He has not announced his retirement. Indeed the regime shows every sign of continuing its policy of confrontation with the US, Israel and their allies, as it did throughout 2001. Despite the continuation of the UN Security Council-imposed restrictions on international trade, US bombing of military targets to mark the anniversary of the liberation of Kuwait and again in September, and continued UN pressure for a resumption of the search for facilities for manufacturing weapons of mass destruction, Iraq yielded little, if any, political ground. On the other hand, the regime did apparently stabilise relations with the Kurdish people in the north of the country.

While genuine Iraqi feelings about Saddam and his regime are impossible to assess, the leadership's stance is clearly popular with many of the Middle East's Arab peoples who find the contrast between US policies on Israel/Palestine and Iraq unacceptable. Creation of a Palestinian nation, they argue, would be a better step to normality than attempting the ethical cleansing of Iraq.

Although the Iraqi authorities rely on legitimate oil sales to fund crucial food and healthcare materials imports, the regime was again prepared to halt oil sales as a political bargaining tool in embargo negotiations with the UN. Consequently estimated average oil production in 2001 was 2.31 Mbbbl/d, down from 2.52 Mbbbl/d in the previous year. This was still the fourth highest rate of output within OPEC but in October production averaged 2.9 Mbbbl/d, lifting the rate above Venezuela's and into third place behind Saudi Arabia and Iran. Crude capacity may be 3.1 Mbbbl/d or higher and refinery capacity is believed to be at least 625,000 bbl/d. Total exports in 2002 will also

be affected by a 30-day stoppage during Spring in protest against the Israeli military actions in Palestine.

Meanwhile, Iraq's massive reserves of oil can be further developed and gas resources exploited. During 2001, Iraq adopted a new basis for further post-embargo oil resource developments involving foreign partners but this will not change agreements already signed. In July 2001, Oil Minister Amir Muhammed Rasid announced agreement to construct a 1,300 km long gas pipeline to southeastern Turkey and the Mediterranean coast. The cost was estimated at US\$2.5 - 3.0 billion.

Reciprocally, the Turkish state petroleum company announced plans to explore for oil in areas of Iraq administered by the Kurdistan Democratic Party. Nevertheless, Iraq's relations with this neighbour remain complex. Turkey is worried that any external intervention in Iraq could lead to the creation of a separate Kurdish state that might oppress the Turkmen minority in the area and support Kurdish rebels in Turkey itself. However, in need of financial aid, the government has recently appeared sympathetic to the US position on Iraq.

With Iraq's mineral-based industries being government-owned, information concerning production, equipment purchases etc are restricted. Given the necessity of maintaining sufficient oil production capacity to work within the UN trading arrangements, and with limited access to spares, it seems likely that other mineral-based operations are working in survival mode. In the future, fertiliser mineral resources might be further developed and cheap energy used for metal smelting, for instance at the long planned Nassiraya aluminium smelter.