

IRAQ

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Mineral Industry Intelligence and Information

Eleven years of isolation have not apparently weakened the Iraqi regime led by Saddam Hussein but have severely affected the majority of the population. Since the country's mineral-based industries are government-owned and it remains politically preferable for the regime to keep the international community guessing as to the true state-of-the-nation, shedding light on mineral industry progress remains difficult. Generally speaking, it seems that operations are on a "make-do" basis at best. However, towards the end of 2000 some international equipment purchases were made for processing aggregates for infrastructure rebuilding.

Reports from, and comments upon, the general situation in Iraq tend to have two quite different themes. One focus is the militaristic iniquities of the ruling group and a supportive element that is enriching itself through black market trading based on illicit oil sales. Commentators suggest it is likely that Iraq has already built one or more nuclear weapons using smuggled uranium/plutonium. The other group of eye-witness reports and commentaries deals with the sharp decline in living standards of the general population as a result of the UN Security Council imposed international trading system.

According to an assessment by the International Institute for Strategic Studies, Iraqi defence spending ranks only about tenth among Middle Eastern countries. Even so, it is thought that the damage inflicted on installations in 1998 has been repaired. And this level of expenditure does not eliminate the suspicion that Iraqi experts have been able to build weapons of mass destruction. The fact that the UN Monitoring, Verification and Inspection Commission, which replaced UNSCOM, is equally unwelcome to the Iraqi

leaders does nothing to dispel such fears. On the other hand, Iraqi civilians have reason to worry about the possible ill effects on health of the Depleted Uranium containing munitions used by Alliance forces.

Per capita GDP is estimated to have fallen from US\$3,100 in 1989 to US\$250 in 1999, but is believed to have recovered to about US\$715 now. However, the inflation rate for 2000 was reportedly 12%. The 'Containment with Aid' approach is said to have resulted in poorer standards of living for professional people but to have most adversely affected the poor, whose overall family income is put at an average of US\$5/mth. In theory at least, this situation reflects Iraq's dependence on the UN system, which both parties claim is manipulated by the other for political ends. The regime's opponents also say that illegal oil exports are financing imports by trucks that are only inspected on a limited scale.

The consensus view is that oil production increased from an average of 625,000 bbl/d in 1996 to 2,580,000 bbl/d in 1999, maintaining Iraq as the Middle East's third largest producer. Current capacity is estimated at 3.1 Mbb/d and production at a slightly lower rate. Refinery capacity is believed to be 625,000 bbl/d. Industry officials say this capacity will be increased as rapidly as the spare parts supplies allowed by the UN permit. However, the oil sales contracting process is complex and makes planning of counter-trades difficult. For instance, the monthly average amount of oil exported to the US in first half 2000 varied between 254,000 bbl/d and 719,000 bbl/d.

The government did make determined efforts on some fronts to move the country towards political and economic normality, especially in the second half of 2000. Iraq was re-admitted to Arab League discussions, while the re-

opening of Baghdad airport enabled official delegations to start visiting the country. Inter-governmental agreements were reached with friendly countries such as Morocco and Turkey, while relations with Iran, Syria and the UAE improved significantly. The UN Development Programme is reportedly rehabilitating the electricity supply network.

Just how ready the international business community is to normalise relations with Iraq was underlined in November when 1,500 companies from 45 countries exhibited at the Baghdad International Trade Fair, which attracted over a million visitors. One mineral industry exhibitor was Nordberg (now Metso Minerals), which renewed a previously strong presence with sales of mobile crushers to the Iraqi Railways General Co. The machines were delivered in January 2001. The Finnish group's Middle East sales manager commented that reopening commercial

relations had involved visiting a huge number of non-Iraqi bodies and officials, including those of the UN, but expected things to get easier – further sales have already been secured.

Meanwhile, Iraq's massive reserves of oil can be further developed and resources of gas, for which there is a ready market, for instance in Turkey, tapped. Both Russian and Chinese organisations have signed oilfield development agreements but will not start work until UN sanctions are lifted. Sulphur and phosphate resources can be further exploited given favourable international market conditions. Longer-term options include resurrecting plans to build metal smelting facilities using domestic energy and imported raw materials, such as the Nassiraya aluminium smelter.