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Iraq's Trade with the World: Data and Analysis

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Iraq's Trade with the World: Data and Analysis

Summary

In the last 25 years, Iraq's economic involvement in the world market has fluctuated dramatically — brought about, in part, by damage to its oil infrastructure during the Iran-Iraq War of the 1980s, and followed by international sanctions imposed in the 1990s following Iraq's invasion of Kuwait.

Iraq has been largely dependent on exports of crude oil since the end of World War II. Exports of oil accounted, on average, for 83% of Iraq's annual exports from 1980-1990. When international sanctions were imposed in August 1990, Iraq's oil sales dropped from \$10.2 billion in 1990 to \$305 million in 1991. From 1991 to 1995 the regime of Saddam Hussein declined to accept United Nations (UN) proposals seeking to permit Iraq to sell limited quantities of oil to meet the needs of its people. Without oil export revenues, living conditions in the country deteriorated sharply.

In 1996, the Iraqi government agreed to the establishment of United Nations-administered Oil-For-Food Program (OFFP) that has allowed the Iraqi government to export limited amounts of oil and import food and humanitarian supplies under close supervision. On May 22, 2003, the UN Security Council adopted Resolution 1483, lifting all civilian trade sanctions on Iraq, providing for the termination of the OFFP, and the transfer of all remaining transactions under the program to the Coalition Provisional Authority (CPA). On November 21, 2003, the OFFP officially closed, in keeping with Resolution 1483.

Since Iraq's chief export product is crude oil, the country's economic future, at least in the short term, will depend on its ability to tap into its vast oil resources. According to U.S. Department of Energy statistics, Iraq has 112 billion barrels of proven oil reserves, and "possible" or "probable" reserves of as much as 220 billion barrels. Due to years of war and international sanctions, its oil potential has been largely unexplored and only 15 of 73 discovered oil fields have been developed.

Even though Resolution 1483 lifted international sanctions against Iraq, many key issues continue to be addressed with a view toward normalizing its economic situation. Concerns related specifically to trade policy include (1) the financing of rebuilding efforts, especially as they relate to rebuilding Iraq's infrastructure and possible obligation of Iraq's future assets; (2) the status of oil contracts signed by the previous regime and the authority of Iraq's provisional oil ministry to negotiate and grant new ones; and (3) the fears of some in the international community that a reinvigorated Iraqi oil sector would lead to unrestricted oil exports and a subsequent depression in world oil prices.

This report also provides detailed trade statistics on Iraq's trade with the world from 1978 to the present, highlighting its major trading partners and regional trade linkages. The report will be updated as events warrant.

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Iraq's Trade with the World: Data and Analysis

Introduction

Iraq's involvement in world trade has varied dramatically in the last 25 years. These fluctuations have been caused, in part, by the effects of the Iran-Iraq War from 1980-1988 and by the international sanctions imposed by the United Nations (UN) in the 1990s following Iraq's invasion of Kuwait.

Iraq's principal export is crude oil, which accounted for 83% of all exports from 1980-1989 and 95% of all exports since 1996. Major imports include food, transportation equipment, steel structures, spare parts, and medical supplies. Since 1996, both exports and imports have been closely regulated through a UN-authorized Oil-For-Food Program (OFFP) that has allowed the Iraqi government to sell limited quantities of oil in order meet the needs of its people for food and humanitarian supplies. The OFFP officially terminated its operations on November 21, 2003, in keeping with UN Security Council Resolution 1483.

This report provides an analysis of Iraq's trade with the world from 1978 to the present. Iraq's major trading partners are discussed as well as Iraq's principal export and import commodities. Information is also provided on the Iraqi government's alleged illicit trade and trading partners during the UN sanctions period.

Sanctions and the Oil-For-Food Program

In August 1990, the UN Security Council adopted Resolution 661, imposing comprehensive sanctions on Iraq following its invasion of Kuwait. From 1991 to 1995 Iraq declined to accept UN proposals seeking to enable Iraq to sell limited quantities of oil to meet the needs of its people. The government believed that these proposals infringed on Iraq's sovereignty and were limited in scope. Without oil export revenues, Iraq could not import sufficient quantities of food and medical supplies, and living conditions in the country deteriorated sharply.¹

On April 19, 1995, the UN Security Council adopted Resolution 986, which proposed that Iraq be permitted to export \$2 billion worth of oil every six months so that the Iraqi government could use the proceeds of the oil sales to purchase food, medicines, and other humanitarian supplies to meet the needs of its people. Iraq and

¹ CRS Report RL30472, *Iraq: Oil-For-Food Program, International Sanctions, and Illicit Trade*, by Kenneth Katzman.

the Security Council signed a memorandum of understanding on the implementation of the Oil-For-Food Program (OFFP) on May 20, 1996 and the first Iraqi oil exports began on December 10, 1996.² The first shipments of food arrived in Iraq in March 1997, followed by imports of medicines in May 1997. From the program's inception until its suspension in March 2003, approximately \$26.8 billion worth of food, humanitarian supplies, and equipment was delivered to Iraq under the program. Nearly 60 percent of the Iraqi population were, to some extent, dependent on monthly food aid received under the OFFP.³

The UN Security Council continued the Oil-For-Food Program in 180-day periods known as "phases." The first phase ran from December 10, 1996 to June 7, 1997. The last pre-war oil exporting period was phase thirteen, which came into effect on December 5, 2002 and was scheduled to run through June 3, 2003.⁴

The Security Council adopted a number of resolutions revising program implementation, including Resolution 1153 (February 20, 1998), which raised the ceiling on oil sales to \$5.256 billion per six-month phase due to concerns that Iraq's revenues were not sufficient to meet its food and medical needs. In 1999, the limit on oil exports was completely abolished by Resolution 1284 (December 17, 1999) in an effort to provide Iraq an incentive to cooperate with a new program of UN weapons inspections.

On March 17, 2003, UN Secretary-General Kofi Annan withdrew all UN personnel from Iraq, including UN humanitarian workers and inspectors monitoring the OFFP, following the failure of Security Council efforts to reach agreement on methods to rid Iraq of weapons of mass destruction.

The Security Council unanimously authorized the OFFP to resume its activities on March 28, 2003, directing the Secretary General to identify alternative locations (both inside and outside Iraq) for inspection and distribution of goods, to arrange for the fulfillment of contracts already approved by the UN, and to execute new contracts for essential medical supplies. This authority was extended until June 3, 2003 by Resolution 1476 on April 24, 2003.

On May 22, 2003, the Security Council adopted Resolution 1483, lifting all civilian sanctions on Iraq. The resolution provided for the termination of the OFFP within six months, and the transfer of all remaining transactions under the program

² United Nations Document number S/1996/356.

³ United Nations. Document No. S/2002/1239. *Report of the Secretary-General pursuant to paragraphs 7 and 8 of Resolution 1409 (September 2002)*, November 12, 2002.

⁴ The thirteen phases were as follows: I, December 10, 1996 to June 7, 1997; II, June 8, 1997 to December 4, 1997; III, December 5, 1997 to May 29, 1998; IV, May 30, 1998 to November 25, 1998; V, November 26, 1998 to May 24, 1999, extended until December 11, 1999; VI, December 12, 1999 to June 8, 2000; VII, June 9, 2000 to December 5, 2000; VIII, December 6, 2000 to June 3, 2001, extended until July 30, 2001; IX, July 4, 2001 to November 30, 2001; X, December 1, 2001 to May 29, 2002; XI, May 30, 2002 to November 25, 2002, extended until December 4, 2002; and XII, December 5, 2002 to program suspension on March 17, 2003.

to the occupation authority (referred to in the resolution as “the Authority”). In keeping with Resolution 1483, the OFFP terminated its operations on November 21, 2003.

A list of selected UN Security Council Resolutions with respect to trade with Iraq is found in *Appendix A*, on page 22.

Exports

Pre-War Exports

Iraq entered the global trade marketplace in the mid-1800s as an exporter of grains and cereals. As early as the 1930s, however, crude oil became its major export, and exports of crude accounted for 49.3% of national income by 1953.⁵ In the 1980s, crude oil represented 83% annually of all Iraqi exports.⁶ Non-petroleum export products in the 1980s included portland cement, fruit (mainly dates), fertilizers, and reaction engines. *Table 1* illustrates Iraq’s top export products in 1989.

When international sanctions were imposed in August 1990, Iraq’s oil sales dropped from \$10.2 billion in 1990 to \$305 million in 1991. From 1992 to 1995, oil exports averaged between \$400 and \$480 million. **Figure 1** illustrates the dollar value of Iraq’s exports of crude oil from 1978 to 1998 as reflected in UN trade data. The spike in Iraq’s oil revenues in 1980 was due, in part, to a worldwide increase in oil prices.

Table 1. Iraq’s Top 10 Exports, 1989

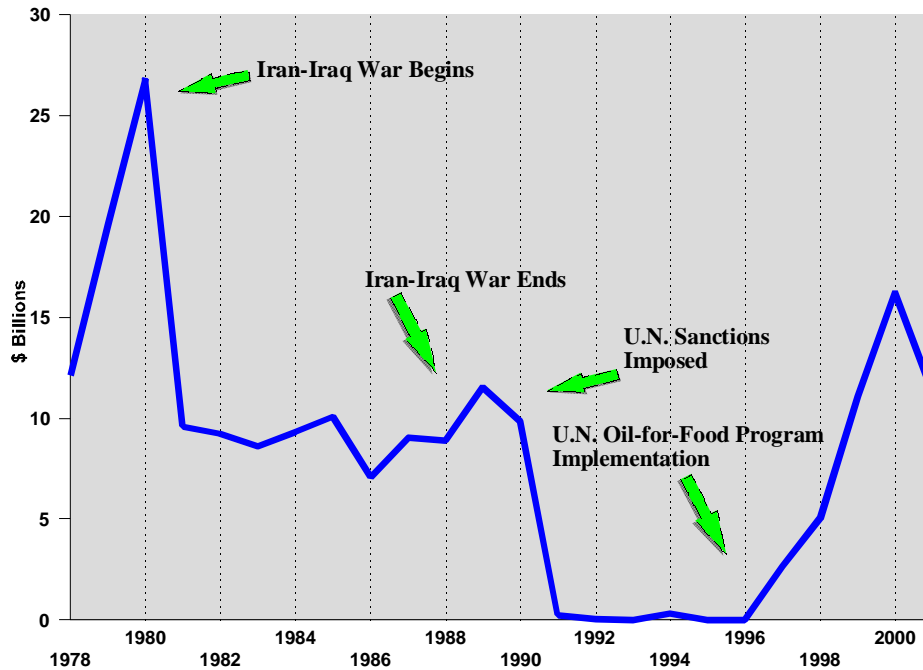
SITC Rev 3 Commodity	Mil. \$
3330-Crude oil	\$11,545.4
3344-Fuel oils, nes	\$211.3
3343-Gas oils	\$119.8
3341 — Gasoline and other light oils	\$78.8
2741- Sulfur of all kinds	\$39.2
6612-Portland cement	\$35.7
0579-Fruit, fresh or dried, nes	\$30.8
5629-Fertilizers, nes	\$29.6
7144-Reaction engines	\$29.2
5222-Chemical elements, nes	\$27.7

Source: United Nations Trade Data
nes=not elsewhere specified

Despite periodic increases in the oil export ceiling allowed by the OFFP and the rescission of the export ceiling in December 1999, Iraq’s oil exports often ran significantly below the permitted level of exports. This was due, in part, to frequent disputes between Iraqi and UN officials over the formula for pricing Iraq’s oil. For

⁵ Slugett, M. & Slugett, P. *Iraq Since 1958: From Revolution to Dictatorship*. New York: KAI Limited, 1987, p. 35.

⁶ Economist Intelligence Unit (EIU) calculations.

Figure 1. Iraq's Oil Exports, 1978 to 2000

Source: United Nations Trade Data

example, oil exports were briefly suspended in December 2000 because UN authorities would not consent to a pricing formula in which Iraq's oil officials proposed deeply discounting Iraq's oil, in return for 30-50 cent surcharges per barrel to be paid into bank accounts controlled by the Iraqi government. Similar price disputes seemed to cause disruptions in Iraq's oil exports each time the program was renewed. In an effort to completely block illicit surcharges, the UN Sanctions Committee changed the pricing formula to "retroactive pricing" in September 2001. This policy initially reduced Iraq's oil sales by about 25%, although the UN noted a rebound to previous sales levels by September 2002.

In addition, Iraq sometimes unilaterally interrupted the sale of oil to protest Security Council policy or to challenge the United States and its allies. For example, Iraq suspended its oil sales for the month of April 2002 in protest of Israel's military incursion in the West Bank.⁷ **Figure 2** illustrates Iraq's semiannual oil exports under the OFFP (December 1996-March 2003) by dollar value and by volume.

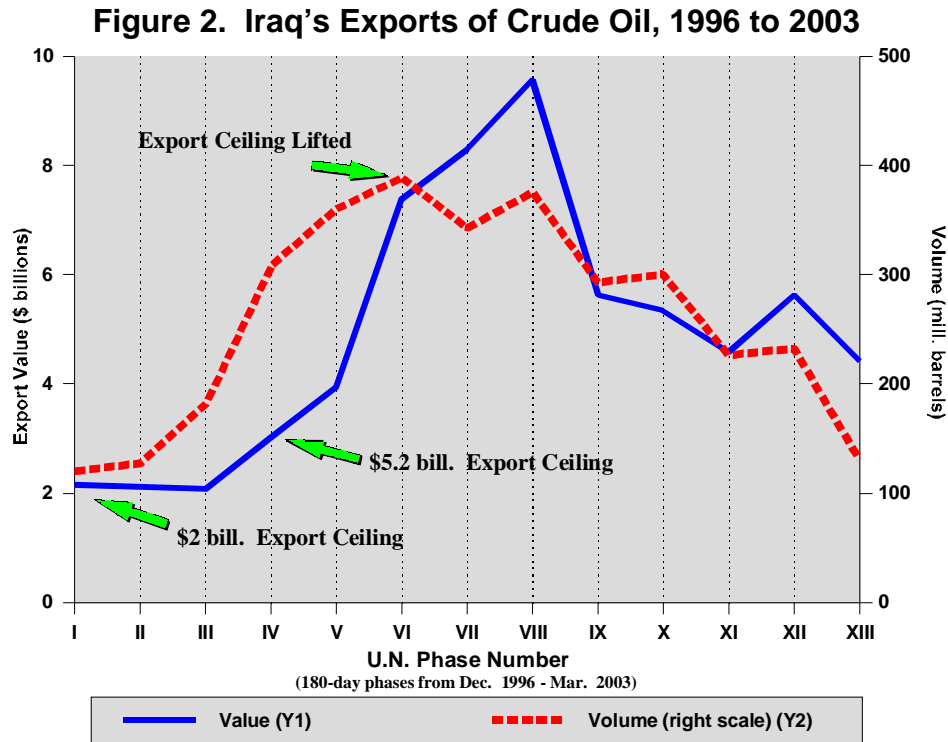
Oil Resources

Since Iraq's chief export product is crude oil, the country's economic future, at least in the short term, depends primarily on the ability to tap into its vast oil resources. According to U.S. Department of Energy analysts, Iraq has 112 billion barrels of proven oil reserves — second only to Saudi Arabia's 260 billion barrels of proven reserves — and "possible" or "probable" reserves of as much as 220 billion

⁷ CRS Report RL30472, *Iraq: Oil-For-Food Program, International Sanctions, and Illicit Trade*, by Kenneth Katzman.

barrels.⁸ Due to years of war and international sanctions, however, Iraq's oil potential has been largely unexplored and only 15 of 73 discovered oil fields have been developed.

Iraq's all-time peak oil production was 3.5 million barrels per day (mbd) in 1979, just prior to the war with Iran. Output dropped sharply as the war began, but gradually recovered to a similar level by 1989. As a result of severe damage to the oil industry infrastructure during the Gulf Crisis, followed by the United Nations sanctions regime, crude oil production was reduced sharply to about 300,000 barrels per day (bpd).⁹ From 1990 to the end of 1996, UN sanctions prohibited exports of



oil, and oil production was limited to the amount needed to meet internal demand, plus small amounts that may have been illegally exported.¹⁰

Condition of Infrastructure. Prior to the institution of the Oil-for-Food Program, the oil infrastructure was partially repaired, but often by cannibalization and short-term substitution of parts and without access to external equipment or technology. Realizing the “lamentable” state of Iraq's oil sector, the Security Council allowed a limited amount of investment in equipment and spare parts for

⁸ U.S. Department of Energy, Energy Information Administration (EIA). *Iraq Country Analysis Brief*, p. 1. [<http://www.eia.doe.gov/>].

⁹ United Nations, Security Council, “Letter dated 6 June 2001 from the Secretary-General addressed to the President of the Security Council,” S/2001/566.

¹⁰ CRS Report RL31944, *Iraq's Economy, Past, Present, and Future*, Jonathan E. Sanford, Coordinator.

basic maintenance of the oil infrastructure (a total of \$3 billion from June 1998 to June 2001). However, according to the calculations of UN oil industry experts, investment in Iraq's oil sector during the OFFP was about \$0.60 per barrel, in contrast to the worldwide average of \$1.50 per barrel. UN experts forecasted declines in oil production from 5% to 15% per year if the oil infrastructure was not improved.¹¹ The position of the United States and its allies during the sanctions regime, however, was that OFFP funds should be used only for short-term improvements, and not to make long-term repairs.¹²

Oil industry experts assessed Iraq's pre-war sustainable production capacity at no higher than 2.8-2.9 mbd. Conservative estimates for restoring the oil sector to pre-1990 levels by 2006 range between \$5.0-\$6.0 billion per year. Prior to the 2003 war, the regime of Saddam Hussein had a blueprint in place for doubling capacity to 6 mbd, with foreign oil companies playing a key role.¹³ In order to reach this potential, however, the Iraqi oil sector would require investment at all levels, including technical services, capital equipment, and infrastructure.¹⁴ Iraqi authorities estimated that the 6 mbd target would require an additional investment of at least \$21 billion and would probably take 8 to 10 years to achieve after sanctions are lifted. Plans to reach the target included further development of producing oilfields as well as finding and developing additional oilfields in the Western Desert.¹⁵

Post-War Situation

Even though Iraq's oil fields were captured largely intact, the oil industry has been hampered by post-war chaos and looting of its oil facilities. Damage to wells, gathering facilities, refineries, and mainline transport facilities slowed the effort to restart production. Security issues and difficulties with electrical power supply have been further hindrances.¹⁶ U.S. and Iraqi protection of oil pipelines has been improving, and U.S. military commanders recently announced increased surveillance measures including the deployment of airborne snipers to prevent future acts of sabotage.¹⁷

According to Organization of Petroleum Exporting Countries (OPEC) statistics, Iraq produced 1.7 mbd in October, reflecting a steady climb from 680,000 barrels per day (bpd) in July. As of November 28, 2003, Iraqi oil officials announced

¹¹ United Nations. *Report of the Group of United Nations Experts Established Pursuant to Paragraph 30 of the Security Council Resolution 1284 (2000)*, March 2000, p. 12.

¹² U.S. Department of Energy, *Iraq Country Analysis Brief*, p. 4.

¹³ Energy Intelligence Group, "Iraq is Primed for Big Oil Opening," *Petroleum Intelligence Weekly*, March 12, 2003

¹⁴ United Nations. *Report of the Group of United Nations Experts Established Pursuant to Paragraph 30 of the Security Council Resolution 1284 (2000)*, March 2000, p. 12.

¹⁵ Royal Institute of International Affairs, p. 5.

¹⁶ CRS Report RS21626, p. 2.

¹⁷ Watkins, E. "U.S. to Deploy Airborne Snipers to Protect Iraqi Pipelines," *Oil and Gas Journal*, October 13, 2003.

production level of 1.4 mbd and expressed confidence that this would reach 2 mbd by 2004.¹⁸ However, as much as 300,000 bpd of that production has reportedly been reinjected into oil wells, due to lack of transportation routes from the northern fields and because oil refineries in that region are not operating at capacity.¹⁹ Nevertheless, current crude loadings at Iraq's Basra terminal stood at 1.2 mbd at the beginning of October. Iraq's northern export pipeline remains inoperable due to repeated sabotage.²⁰

Much of Iraq's current oil production is also needed to meet domestic consumption requirements, which averaged about 500,000 bpd pre-war, although current requirements may be at least 100,000 bpd less. Iraqi refineries' inability to produce a sufficient supply of needed fuels to meet domestic demand has also led the CPA to sponsor imports of gasoline and propane from other countries.²¹

Imports

Prior to the implementation of international sanctions, Iraq's primary imports included food, motor vehicles, spare parts, iron and steel, and medicines. *Table 2* provides Iraq's top ten imports from the world in 1989.

Figure 3 illustrates the flow of Iraq's imports from 1978-2002. Imports rose rapidly in 1980, peaked in 1981, and continued at a high level until 1982. Major import commodities during that period included large imports of commodities officially reported as trucks, spare parts, and

Table 2. Iraq's Top 10 Imports, 1989

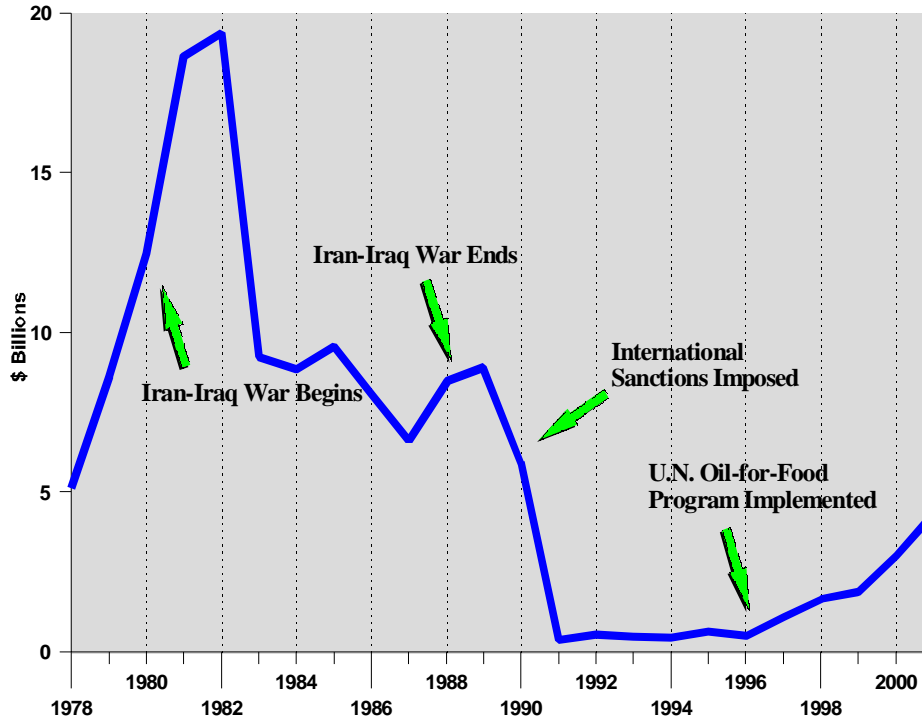
SITC Rev 3 Commodities	Mil. \$
0412-Wheat, nes	\$617.3
7843-Parts and accessories of tractors and motor vehicles, nes	\$170.4
6793-Iron and steel seamed tubes	\$160.9
0112 — Meat of bovine animals, frozen	\$144.6
7812 — Motor vehicles, nes	\$139.6
6791 — Iron and steel tubes and pipes	\$137.8
0423 — Rice	\$132.2
6762 — Alloy steel bars, rods, nes	\$130.7
5429 — Medicaments, nes	\$124.5
6911 — Metal structures of iron or steel, nes	\$105.4

¹⁸ *Global News Wire*, "Iraqi Oil is for Iraqis," November 28, 2003.

¹⁹ *Wall Street Journal*, "Iraq's Oil Industry is Slowly Rebounding," November 6, 2003.

²⁰ Cooper, P.J. "Oil and Gas Briefs," *Financial Times*, October 30, 2003.

²¹ CRS Report RS21626, *Iraq Oil: Reserves, Production, and Potential Revenues*, by Lawrence Kumins.

Figure 3. Iraq's Imports, 1978 to 2002

Source: International Monetary Fund Direction of Trade Statistics..

other machinery. These imports may have been legitimate purchases of transportation vehicles, oil machinery, and spare parts for upgrading and repairing Iraq's oil production facilities; however, it is also possible that some of these purchases were converted to military use during the Iran-Iraq War, or that Iraq's trading partners used these import categories to hide the fact that they were actually exporting armaments and military hardware to Iraq. *Table 3* provides the top import commodities for the period from 1979 to 1983.

Beginning in 1996, all approved imports to Iraq were monitored by UN staff, who reviewed all contracts and ensured that imported goods were on a list of commodities drafted by the UN Security Council. Besides food and humanitarian supplies, the OFFP also allowed Iraq to import some transportation and communications equipment, spare parts for oil rigs and other infrastructure, and consumer goods. *Table 4* shows Iraq's cumulative imports by sector from 1997 to 2002 under the Oil-For-Food Program.

Table 3. Iraq's Major Imports, 1979-1983

SITC Rev 1 Commodities (millions of U.S. \$)	1979	1980	1981	1982	1983
.TOTAL — Total All Commodities	8,628.1	12,073.8	17,495.1	17,386.5	8,601.0
7323 — Lorries, trucks	485.1	862.3	1,404.3	921.4	183.6
7184 — Const. ,mining machinery	392.1	518.5	798.4	577.8	76.2
6911 — Structures & parts of iron	325.5	333.9	640.2	792.7	275.3
7321 — Pass. motor veh. exc buses	171.3	255.9	465.8	365.7	182.9
7328 — Motor vehicle parts	179.4	349.4	462.1	403.2	214.3
7221 — Electric power machinery	147.0	199.6	399.9	411.3	229.0
7192 — Pumps, centrifuges	149.2	209.4	390.8	380.7	213.1
7125 — Tractors, non-road	95.0	141.4	357.2	139.2	29.9
7191 — Heating, cooling equipment	143.4	237.9	355.8	342.9	132.7
7193 — Mechanical handling equip.	159.6	212.6	298.3	236.7	80.9
6612 — Cement	23.4	68.9	296.7	178.9	99.8
7324 — Special motor vehicles	128.4	149.1	293.2	369.0	118.5
7249 — Telecommunications equip.	175.8	236.9	289.9	616.7	456.9

Post-War Situation

Since the lifting of economic sanctions, Iraq has been flooded with new products, including television sets from South Korea, refrigerators from Iran and China, new and used cars from Japan and South Korea, and toasters from Germany. Satellite telephones and portable kerosene stoves, needed because of the absence of normal telephones and the current lack of cooking fuel, are so plentiful that prices have declined. Satellite dishes, banned under Saddam, are also for sale. Consumers with money have a range of new choices, and the recent appreciation of the Iraqi dinar has provided them with additional buying power.

Iraqi companies who have had almost no competition due to UN sanctions, however, have had to face the full force of globalization and international competition almost overnight. An unexpected appreciation of the dinar that made foreign imports more attractive has exacerbated the competitive challenges Iraq's manufacturers and state-run companies are facing. The free-market economy shocks are of some concern to U.S. and British officials, who want to get people back to work.²²

On September 19, 2003, the CPA established a "reconstruction levy" (CPA/ORD/19 September 2003/38) which, as of January 1, 2004, will place a 5% tariff on all imported goods except food, medicine and medical equipment, clothing, books, and goods delivered as humanitarian assistance. UN entities, the CPA, Coalition forces, nonprofit organizations, other international organizations, and

²² Andrews, E. "After Years of Stagnation, Iraqi Industries are Falling to a Wave of Imports," *New York Times*, June 1, 2003. Sabbah-Gargour, R. "Arthur Daleys Flourish in Duty-Free Zone," *London Times*, August 16, 2003.

Table 4. Iraq's Oil-For-Food Imports by Sector, 1997-2002

Sector	Value of Approved Sales (U.S. \$)
Food	13,505,896,754
Agriculture	3,733,280,193
Oil Spares	3,636,458,484
Electricity	3,538,554,784
Food Handling	3,312,345,268
Health	3,025,602,846
Housing	2,720,773,354
Communication/Transportation	2,016,400,979
Water and Sanitation	2,000,721,136
Education	1,146,527,169
Special Allocation	293,559,164
Industry	35,502,417
Religious Affairs	10,285,323
Justice	4,899,283
Construction	2,219,572

Source: United Nations. Office of the Iraq Program. Data are for the largest of the three accounts in the Iraq Program.

foreign governments will be exempt from the levy. All proceeds will be used to support Iraqi reconstruction efforts.

Illicit Trade

During the sanctions period, the regime of Saddam Hussein allegedly conducted illicit oil dealings with its neighbors and other countries in order to generate funds that it could use without restriction. The regime also imposed surcharges on oil buyers and solicited kickbacks from suppliers of humanitarian and other civilian goods. Although there are no authoritative figures for the value of Iraq's illicit trade, a study released in May 2002 by the General Accounting Office (GAO) estimated that Iraq earned \$6.6 billion in illicit revenue from oil smuggling between 1997 and March 2001.²³

The GAO reported that Iraq smuggled oil through neighboring states, including Syria, Turkey, and Jordan, and imported illicit and unapproved commodities through numerous exit and entry points along its borders. Major illicit trade routes were said to include an oil pipeline to Syria, truck routes through entry points on the Jordanian and Turkish borders, and shipping in the Persian Gulf.

Prior to the war, U.S. officials were primarily concerned that Iraq was reportedly using illicit revenues to purchase prohibited military and weapons-of-mass-destruction (WMD) technology. The GAO report also found, however, that

²³ General Accounting Office. *Weapons of Mass Destruction: UN Confronts Significant Challenges in Implementing Sanctions against Iraq*, GAO Report Number GAO-02-625.

international sanctions may have been partially effective because they deterred Iraq from obtaining most conventional weapons.²⁴

In February 2000, the Clinton Administration accused the Iraqi government of misusing financial resources gained from illicit trade to build nine lavish palaces, valued at about \$2 billion.²⁵ The Bush administration similarly concluded that international sanctions were not effective, and accused Iraq of using illicit revenue to finance active nuclear, chemical, and biological weapons programs.²⁶

Post-War Situation

Since major hostilities have ended in Iraq, fuel smuggling seems to have resumed, apparently stimulated by lower oil prices in Iraq relative to world market prices. The situation seems to be especially grave in southern Iraq where diesel fuel from the Basra refinery is allegedly being smuggled into the United Arab Emirates and Iran by truck, and by small tankers into the Persian Gulf. In addition, many gas station owners with the rights to shipments of diesel fuel from Iraqi distribution companies are reported to be paying drivers to divert the shipments of diesel to sell the shipments to smugglers at a greater profit than can be received at their filling stations. Some smugglers are reportedly drilling into pipes between the refinery and shipping terminals, according to some Iraqi officials. A spokesman for the UK forces in the Southeast region of Iraq estimated that between 2,000 and 2,500 tons [14,400 to 18,000 barrels] per day of various fuels (crude, diesel, and gasoline) were being lost through smuggling.²⁷

Fuel smuggling is reported to be a lucrative business in Iraq, apparently due to domestic price controls. Wary of causing resentment in the Iraqi population, the occupying forces have maintained pre-war domestic fuel prices, even though they are as little as 10% of the external price. Iraqi refineries are reportedly required to sell the diesel fuel for 4 cents per gallon, and smugglers can get at least five times that amount across the Iraqi border. For example, filling station owners are authorized to receive fuel shipments of about 9,000 gallons of diesel fuel per day for about \$200 and are authorized to sell the fuel at a "reasonable profit." If the gas station owners divert the shipments to oil smugglers, they can realize profits of as much as 200-300%.²⁸ In Basra, black market prices for gasoline have soared as high as 1,000 dinars, or about 60 cents a liter, about 50 times the official price.²⁹

²⁴ Ibid., p. 6.

²⁵ Katz, L. M., "Iraq, U.S. Lock Horns Again." United Press International, February 10, 2000.

²⁶ *U.S.A Today*, "Iraq Making the Most of Porous Sanctions," November 7, 2002. Rieff, D. "Were Sanctions Right?" *New York Times Magazine*, July 27, 2003.

²⁷ "Iraqi Fuel Smuggling Flourishes," *Platt's Oilgram Price Report*, July 21, 2003.

²⁸ "Making a Killing on Basra Diesel," *Financial Times*, May 30, 2003.

²⁹ Oppel, R. A., Jr. and Worth, R. "Riots Continue over Fuel Crisis in Iraq's South," *New York Times*, August 11, 2003.

The CPA and the interim Iraqi government are trying to stamp out the fuel smuggling, and recently announced plans for increased interdiction of ships suspected of smuggling Iraqi oil and public trials with heavy sentences for smugglers who are caught. Coalition maritime forces are reportedly boarding an average of 90 ships per week, of which as many as five ships per week have been detained for transporting illegally obtained Iraqi oil.³⁰

Major Trading Partners

As is the case with most oil-producing countries, Iraq's leading pre-war export trading partners were primarily industrialized nations. In 2001, Iraq's top ten export trading partners were the United States, Canada, France, the Netherlands, Jordan, Italy, Morocco, Spain, Greece, and India. In terms of Iraq's imports, France was its largest trading partner in 2001, followed by Australia, China, Italy, Vietnam, Germany, Japan, Russia, Jordan, and Spain. *Table 5* shows Iraq's top trading partners in terms of imports and exports for 2001. *Table 10* in Appendix B provides trade statistics for Iraq's major trading partners from 1980-1988, and *Table 11* provides the same information from 1990-1998.

Table 5. Iraq's Top 10 Export and Import Trading Partners, 2001

Exports (millions of U.S.\$)		Imports (thousands of U.S.\$)	
United States	\$6,298	France	\$591,174
Canada	\$1,100	Australia	\$438,877
France	\$887	China	\$396,973
Netherlands	\$791	Italy	\$326,438
Jordan	\$736	Vietnam	\$320,192
Italy	\$607	Germany	\$301,370
Morocco	\$411	Japan	\$189,918
Spain	\$383	Russia	\$187,339
Greece	\$231	Jordan	\$140,534
India	\$228	Spain	\$92,984
Total Above	\$11,672	Total Above	\$2,985,799
Rest of World	\$965	Rest of World	\$1,326,403

Source: International Monetary Fund, Direction of Trade Statistics.

³⁰ Watkins, E. "Iraqi Interim Government Unveils Plan to Halt Oil Smuggling," *Oil and Gas Journal*, October 27, 2003.

International Interests

Despite the international sanctions regime, several countries regarded Iraq as an important trading partner and expressed concern before the war that their national interests might be compromised if a newly-established Iraqi government is primarily sympathetic to U.S. interests. These countries were concerned about lost trade and possible loss of investment opportunities in Iraq's oil sector.

Russia. Russia's cumulative trade turnover with Iraq from 1997-March 2003 amounted to \$7.7 billion. Iraq was an important trading partner to Russia because certain exports were sold to Iraq that were not otherwise competitive in the global market, including Volga cars, grain harvesters, and power generation equipment. Russian analysts estimated that the industrial sector could lose as much as \$2.5 billion if contracts signed with the regime of Saddam Hussein fall through.³¹

In August 2002, Russia and Iraq signed a five-year "economic cooperation" and trade agreement valued at \$40 billion. The trade package called for cooperation in several industry sectors, including oil, electricity, and railroads.³²

Russia and Iraq have signed numerous oil and gas agreements since 1997; however, Russian firms had not started work on these projects, even though UN officials had approved some of the contracts. Iraq's oil ministry officials expressed frustration with the inaction, and in January 2003, unilaterally terminated a major contract with LUKoil, saying that the company had failed to fulfill its obligations under the contract. The company called Iraq's move "blackmail" and vowed to contest the decision in court.³³ In spite of this setback, Russia held more oil contracts in pre-war Iraq than any of its foreign competitors — a strategic advantage Russia fears it might lose if Iraq's government is replaced by a regime with greater allegiance to the United States.³⁴

The Russian Foreign Ministry announced on October 22, 2003 that it is working to create conditions to allow Russian companies to restart work in the Iraqi oil sector, and a number of Russian oil companies participated in a business forum that was held as part of the international conference on the restoration of Iraq held in Madrid on October 23 and 24.³⁵

France. Iraq is an important market for French goods, especially in the capital goods, automotive, and food processing sectors. Other pre-war French exports to

³¹ United States Congress, House Committee on International Relations. Testimony on Russia's Policy toward Iran and Iraq, by C. Wallander of the Center for Strategic and International Studies (CSIS), Washington, DC, February 25, 2003.

³² Feifer, G. "Russia: Proposed Economic Agreement with Iraq Raising Questions." Radio Free Europe/Radio Liberty, August 19, 2002.

³³ Economist Intelligence Unit (EIU), Business Middle East, January 16, 2003.

³⁴ Petroleum Economist. "Focus: Oilfields Could Slip Out of Russia's Reach," February 10, 2003.

³⁵ Petroleum Report. "Ministry to Pave Way for Russian Return to Iraq," October 22, 2003.

Iraq included industrial, telecommunications, and electrical equipment. The regime of Saddam Hussein considered France such an important trading partner that in March 2002, the Iraqi embassy in Paris opened a new trade section dedicated to continued improvement of Iraq's trade relationship with France.³⁶ Over 90 French companies attended Baghdad's annual trade fair held the following November.³⁷

French oil companies also maintained cordial relations with Iraq's oil officials.³⁸ France's major oil company, Total S A, (formerly TotalFinaElf), had secured a memorandum of understanding with Iraqi oil officials during the Saddam Hussein regime for drilling contracts worth a total of \$7.4 billion. A successful outcome would have doubled the group's reserves with an added 10 billion barrels, and was forecasted to increase its daily production by 16%.³⁹

United States. The United States was the leading importer of Iraq's oil in 2001. Some in the international community believed that U.S. needs for continuous lower-cost supply of oil and U.S. oil interests played a vital part in leading the United States to wage war on Iraq. As early as 1997, nine U.S. oil companies, including Mobil, Conoco, Chevron, Occidental, Arco, Exxon, Texaco, Coastal, and Amoco reportedly contacted Iraq to express interest in developing Iraqi oil fields.⁴⁰

The appointment of a Texas oil executive, Philip J. Carroll, as chairman of an advisory board to oversee the reconstruction of Iraq's oil industry and the awarding of initial reconstruction contracts to U.S. companies drew protests from some European companies and others worldwide.⁴¹ Mr. Carroll was replaced in mid-September 2003 by Robert McKee, a retired vice-president of ConocoPhillips, and was later joined by Gary Vogler, a former ExxonMobil executive in late October.⁴² The Bush administration has emphatically denied that interest in Iraqi oil played any role in deciding to go to war against Iraq.

Andrew Natsios, head of the Agency for International Development (USAID), justified the selection of U.S. companies for initial reconstruction contracts in Iraq on the basis that (1) the contracts were tendered before the war began, (2) bidders required proper security clearances, and (3) U.S. federal procurement laws mandated that U.S. companies be given priority in government-funded contracts. Kellogg

³⁶ Bostnavaron, F. "France Remains Iraq's Leading European Trading Partner." *Le Monde*, September 13, 2002.

³⁷ Agence France Presse, "Over 90 Companies Going to Baghdad Trade Fair — -Iraqi Official," October 29, 2002.

³⁸ Slugett, 288.

³⁹ Marcel, p. 7.

⁴⁰ "Oil, Business, and the Future of Iraqi Sanctions." *PolicyWatch* No. 283, Washington Institute for Near East Policy, November 24, 1997.

⁴¹ Vieth, W, and Fineman, M. "U.S. Names Three to Oversee Iraq's Oil Industry," *Los Angeles Times*, May 4, 2003, and Chaffin, J. "U.S.AID Finds Itself Caught in Controversy over Contracts," *Financial Times*, April 10, 2003.

⁴² *Platt's Oilgram News*, November 6, 2003.

Brown and Root (KBR), a subsidiary of Halliburton was one of the companies initially selected for reconstruction efforts. KBR's contract has recently been extended until January of 2004, in order to give the U.S. Army Corps of Engineers time to revise two future reconstruction contracts which are open for bid.⁴³

A recent British study by the Royal Institute for International Affairs contended, however, that even though oil remains a major factor in U.S. foreign policy decisions, it was probably not a factor in the military campaign against Iraq. The report cited that if energy security had been a motivating factor for the U.S. government, a more likely strategy to ensure a continuous oil supply would have been to end the regime of Hugo Chavez in Venezuela, because it represents 14% of crude imports to the United States as opposed to Iraq's 7%. Furthermore, even though Iraq's oil production could increase to as much as 6% of the world's oil supply with heavy investments over several years, Russia's capacity is twice as large, and Saudi Arabia's is three times as large. Therefore, the report stated, taking Iraq's oil fields would not seem to give the United States any significant advantage in the energy sector.⁴⁴

Asia. Several Asian countries also had significant trade and economic ties to Iraq, and expressed concern that their economies might suffer due to instability caused by the war. Prior to the war, Iraq was the largest importer of **Vietnamese** rice, at a total of 860,040 tons in 2002. Because these imports were conducted under the Oil-for-Food Program, Vietnam also received a slightly higher than market-rate price for the rice. Suspension of the OFFP prior to the war was a concern for Vietnamese officials until UN approval to resume shipments was given in early May 2003.⁴⁵ **Taiwan's** trade officials had scheduled an ambitious trade agenda for the Middle East region and are currently seeking a role for its computer firms in the U.S.-led reconstruction program in Iraq.⁴⁶ **Thailand** signed a bilateral trade and investment cooperation agreement with Baghdad in January 2002. Thailand's pre-war exports to Iraq included rice and consumer products, but Thai officials expressed a desire for deeper trade ties once UN sanctions were lifted.⁴⁷

Asian oil companies have also been involved in contract bids in Iraq. The **China** National Petroleum Corporation (CNPC) and China North Industries Corporation (Norinco) signed a 1997 contract with SOMO involving a \$1.3 billion investment to develop the Ahdab field in southern Iraq to a capacity of 90,000 barrels per day. Only feasibility studies on the project could be conducted prior to the lifting

⁴³ Landry, C. "U.S. Delays Granting New Iraq Oil Contracts," October 30, 2003.

⁴⁴ Dunn, D. H. *Myths, Motivations and 'Misunderestimations': The Bush Administration and Iraq*, Royal Institute of International Affairs, March 2003.

⁴⁵ Financial Times Information. Vietnam News Briefs. "Vietnam Resumes Rice Exports to Iraq, May 5, 2003.

⁴⁶ Asia Pulse, "Taiwan Expresses Interest in Securing Iraq Contracts," April 21, 2003.

⁴⁷ Emerging Markets Datafile, "Iraq-Thailand Trade Looks Promising if UN Ends Sanctions," Xinhua, January 12, 2002.

of sanctions.⁴⁸ **India's** ONGC and **Indonesia's** Pertamina signed agreements in 2000 for oil development in the Western Desert region, and Petro**Vietnam** signed a preliminary agreement to develop the Amara field.⁴⁹ On August 15, 2003, **Japan's** Itochu Corp. announced that it had signed a contract to import an unspecified amount of Iraqi crude oil from October to December. Mitsubishi Corp., also from Japan, signed a contract last month with SOMO for 40,000 bpd from August to December.⁵⁰

Validity of Pre-War Contracts. It is not clear at this time whether any contracts negotiated with or signed by the regime of Saddam Hussein will be considered valid by Iraq's oil ministry or the Coalition Provisional Authority. Iraqi oil officials announced recently that all pre-war contracts will be examined on a case-by-case basis, and that any future contracts should be based on open bidding procedures in line with international practice. Iraq's top exploration official, Natik al-Bayati, recently announced oil ministry plans to award new oil exploration contracts as early as the second half of 2004, and that work on the contracts may start in 2005.⁵¹

Pre-War Regional Trade

Jordan. After the imposition of UN sanctions, Jordan and Iraq began signing trade protocols on an annual basis, renewed each February. Iraq provided Jordan with oil at highly subsidized rates, and in exchange, Jordan provided Iraq with needed goods equal to the agreed value of the oil provided. The value of the trade agreement varied between \$200 and \$700 million annually, making Iraq the single largest market for Jordanian goods. This arrangement was reportedly terminated by Iraqi authorities in early November 2003.⁵² During the sanctions period, the United Nations "took note" of the arrangement, deeming that it was neither permitted by nor expressly violated UN sanctions.⁵³

Turkey. Prior to the implementation of sanctions, Turkey was one of Iraq's major trading partners, with total trade between the two countries valued at about \$3 billion per year. There was also a brisk transit business, from which Turkey received approximately \$1 billion per year by trucking goods to Iraq from Turkish ports. Estimates of Turkey's cumulative losses from the trade embargo range from \$20 to \$60 billion. However, sanctions have not been a total loss for Turkey, as Turkish

⁴⁸ Oil Daily, "China Adopts Cautious Approach to Iraqi Oil," Energy Intelligence Group, Inc., December 17, 2002.

⁴⁹ Marcel, p. 7.

⁵⁰ *Japan Economic Newswire*, "Itochu Signs Iraqi Crude Oil Contract," August 15, 2003.

⁵¹ MqQuaile, M. "Iraq Targets Mid-2004 for Awarding E&P Contracts," *Platt's Oilgram News*, October 22, 2003.

⁵² *Financial Times*, "Iraqi Oil is for Iraqis," November 28, 2003.

⁵³ Economist Intelligence Unit, Middle East Regional Trade Overview, March 19, 2003.

firms reportedly won export contracts under the OFFP valued at \$340 million in 2002, making Turkey Iraq's seventh-largest supplier under the UN program.⁵⁴

Illicit trade in diesel fuel reportedly flourished along the Turkish border with Iraq during the sanctions period, involving as many as 500 trucks per day at its peak. The smuggling was done using specially modified trucks that would carry food from Turkey into Iraq, and would pick up deeply discounted fuel products for the return trip. Turkish authorities made intermittent attempts to crack down on the illegal smuggling, mainly at times when the black market threatened its own economic or security interests. However, because the oil sales also provided revenue to Turkey's impoverished southeastern region, officials sometimes ignored the illegal trade.⁵⁵

Syria. From November 2000 to April 2003, Iraq illicitly imported oil to Syria via a 50 year-old pipeline that had been previously unused for almost 20 years.⁵⁶ The Iraqi flow of oil, purchased at discounts of up to 50% of market value, was a moneymaker for the Syrian economy. Syria used the illegal Iraqi crude to fuel up to one-half of its own domestic oil needs, and sold more of its own crude oil at market prices. Iraq exported an estimated 200,000-250,000 barrels per day through the pipeline and earned about \$800 million through the trading arrangement. On April 8, 2003, Syrian oil officials indirectly confirmed the illicit trade agreement when the Syrian state oil company, Sytrol, told its clients that, effective immediately, export volumes for full-year 2003 would be cut by 40%, meaning that exports for the remaining nine months of the year would be cut by more than half.⁵⁷ This signaled that Iraqi oil probably accounted for that share of Syria's pre-2003 export volume.

Other Regional Trade. Iraq also entered into trade agreements with other countries in the region, including a 1997 "Arab Free Trade Area Agreement" signed with thirteen other Arab countries, including Egypt, Jordan, Syria, United Arab Emirates, Bahrain, Tunisia, Saudi Arabia, Oman, Qatar, Kuwait, Lebanon, Libya, and Morocco. The countries agreed to reduce tariffs on goods traded among them by 10% per year, fully eliminating tariffs within ten years. Several of these countries, including Iraq, subsequently signed bilateral or multilateral agreements with each other accelerating tariff reductions, or even moving directly to free trade.

In January 2001, Iraq entered into free-trade agreements with Egypt, Syria, and Tunisia under the 1997 agreement. Egypt, in particular, sought to reassure the United States that the agreement would not affect the nature of Egypt-Iraq trade, and that the agreement was consistent with guidelines put forth in the OFFP.⁵⁸

⁵⁴ Economist Intelligence Unit, "Trade in Turkey: Bridging Maneuvers," *EIU Business Middle East*, May 1, 2002.

⁵⁵ Economist Intelligence Unit, *EIU Business Middle East*, February 16, 2000.

⁵⁶ Economist Intelligence Unit, *EIU Business Middle East*, April 1, 2001.

⁵⁷ Van Schaik, J. "Syria At Last Admits to Iraqi Oil Imports," *Oil Daily*, April 9, 2003.

⁵⁸ Memo to the State Department by the Commercial and Economic Office of the Embassy of Egypt, Washington, DC, January 31, 2001.

Trade Policy Concerns

Even though UN Security Council Resolution 1483 lifted international sanctions against Iraq, many key issues will need to be addressed if the economic situation in Iraq is to be normalized and the door opened to its normal participation in world trade. Some concerns related specifically to trade policy include (1) the financing of rebuilding efforts, especially as they relate to rebuilding the oil infrastructure and possible obligation of Iraq's future assets; (2) the status of previous oil contracts and the authority to negotiate and grant new ones; and (3) the fears of some in the international community that a reinvigorated Iraqi oil sector would lead to unrestricted oil exports and subsequently cause a depression of world oil prices.

Export-Import Bank Funding Proposals

As of November 26, 2003, the Development Fund for Iraq (DFI), the fund created pursuant to UN Security Council Resolution 1483, has approximately \$5.2 billion designated for reconstruction efforts. Some of this money was transferred to the DFI from the Oil-for-Food Program as provided for in resolution 1483, and some of the funding came from the transfer of frozen Iraqi government assets held by member states. Resolution 1483 further provides that all proceeds from Iraq's oil sales be deposited into the DFI until an internationally recognized, representative government is in place. Most analysts believe that the cost of Iraq's reconstruction efforts will greatly exceed this amount and that other sources of funding will be needed, such as additional U.S. appropriations, donations from other countries, profits from oil resources, and debt rescheduling or restructuring.

Following President Bush's announcement that major hostilities in Iraq had ended, the U.S. Agency for International Development (USAID) issued initial contracts to U.S. companies for rebuilding efforts based on U.S. appropriated funds. Many in the Bush Administration expected that the war would only affect oil exports in the short term, and that a large part of the funding for rebuilding Iraq would come from continued oil sales. Since oil exports did not rebound as quickly as expected, the Coalition Provisional Authority (CPA) has revised their initial estimates of oil export earnings from projected earnings of \$5 billion in 2003 down to \$3.5 billion, and from \$15 billion in 2004 earnings down to approximately \$13.5 billion.⁵⁹

An Iraq reconstruction donor conference held in Madrid in late October yielded pledges of \$33 billion over the next four years, including the \$20 billion U.S. contribution. Other donors included Japan (\$1.5 billion in grants, \$3.5 billion in loans), Kuwait (\$500 million), the United Arab Emirates (\$215 million), and Saudi Arabia (\$1 billion, half in export credits and half in loans). The World Bank and the

⁵⁹ *Energy Intelligence Briefing*, "U.S. Companies Plan Oil-Backed Bonds to Rebuild Iraq", June 24, 2003, and Barrionuevo, A. "Bremer Says Oil Will Fund New Budget In Iraq," *Wall Street Journal*, July 8, 2003

IMF also pledged to make up to \$9 billion in loans available over the next four years.⁶⁰

Some members of the Bush Administration and the CPA are actively searching for additional funding options.⁶¹ The Export-Import Bank of the United States proposed several options, including (1) securitizing future Iraqi oil assets in order to provide collateral for loans, and (2) establishing a \$500 million short-term insurance facility to help facilitate U.S. exports to Iraq.

In June 2003, The Coalition for Employment through Trade (CFETT), an association representing some of the companies given the initial reconstruction contracts in Iraq, and the Export-Import Bank (Exim Bank) joined forces to propose that future oil exports be used as collateral to borrow money from commercial banks for reconstruction projects in Iraq. The proposal would have established an Iraq Reconstruction Financing Authority (IRFA) as part of the Development Fund for Iraq (DFI), which would continue to operate after a new Iraqi government assumes power. A multilateral consortium of export credit agencies would then enter into an arrangement with the IRFA to provide project-specific financing for reconstruction activities. A portion of revenue earned through oil sales would pay interest in initial years and the principal later. As the economy recovers, revenue from other sources would also have been used for repayment of these reconstruction loans.⁶²

Exim Bank officials currently appear to have rejected this proposal. In addition, an amendment offered by Senator Dorgan (SA 1826) during Senate floor debate on S. 1689, the Senate version of H.R. 3289 (became P.L. 108-106, providing emergency supplemental funding for reconstruction and security efforts in Iraq and Afghanistan) which similarly proposed that Iraqi oil revenues be used to pay for reconstruction efforts was tabled in the Senate.⁶³

On August 28, 2003, the Exim Bank also announced plans to establish a \$500 million short-term insurance facility to help finance U.S. exports contracted through the newly-established Trade Bank of Iraq (TBI). The bank proposes to provide comprehensive coverage against failure of TBI to pay under letters of credit by using two currently available Exim Bank instruments, the Bank Letter of Credit Insurance Policy and the Financial Institution Buyer Credit Insurance Policy.⁶⁴ The Exim Bank has also proposed to consider applications under all of its products (e.g., working capital guarantee, loan guarantee, export credit insurance, and direct loans) to support the sale of goods and services to Iraq, provided there is creditworthy source in a third

⁶⁰ Khalaf, R, et. al. "Donors Promise Total of Dollars 33bn, Says Madrid Conference on Iraq," *Financial Times*, October 25, 2003.

⁶¹ Lloyd, S. "U.S. Considers New Ways of Financing Iraq's Reconstruction," *World Markets Analysis*, June 19, 2003.

⁶² Energy Intelligence Group, Inc. "Ex-Im Bank Wants to Securitize Iraq Oil Revenue," *Oil Daily*, June 24, 2003.

⁶³ U.S. Senate, Congressional Record pp. S12427-14233.

⁶⁴ Export-Import Bank Fact Sheet, "Export-Import Bank Support for U.S. Exports to Iraq," November 2003.

country in the Middle East or elsewhere willing to provide security for the loans. To the extent that any loans place obligations on any future government of Iraq to repay them, they may not be in keeping with international law.

Supporters of these arrangements assert that the UN Security Council Resolution 1483 recognized the Coalition Provisional Authority as the relevant authority until 2007. Thus, they claim, it is legal for the CPA to enter into such an agreements on behalf of Iraq, provided that the term of the agreement expires before the CPA's authority expires. In addition, since further debt payments (e.g., payments on previous loans) are set aside until then, options are left open for further obligations.

These arguments may be based on a misreading of international law and of Resolution 1483. Hague Regulations prevent an interim authority from obligating Iraq's resources for a longer term than the occupation period. Although the U.S. and coalition forces are recognized as the occupying authority, the resolution does not actually create or recognize any time period for that recognition. The December 2007 date in the resolution refers to the moratorium on Iraqi debt service obligations, not the tenure of the occupation regime. The two factors are not linked. Indeed, Resolution 1483 admonishes the occupying powers not to exceed their legal authority and it looks toward an early establishment of an interim government for Iraq, and Resolution 1511 of October 16, 2003⁶⁵ further underscores the temporary nature of the Coalition Provisional Authority. The CPA could presumably mortgage future oil exports that would occur during its tenure. However, since the Bush Administration has not established a date certain that the CPA's power will be transferred to an Iraqi government, there is no firm date on which to base any funding arrangement.⁶⁶

Oil Contracts

Some oil companies that signed or negotiated oil exploration/development contracts with the regime of Saddam Hussein have expressed hope that the Iraqi oil ministry would continue to honor their contracts for work on oilfields in Iraq. Iraqi oil officials have recently asserted that, although the Iraqi oil sector will be open to international oil companies, the oil sector should be run with the Iraqi people's interest in mind, "on the basis of Iraqi's oil for Iraqis and run by Iraqis." In keeping with this, officials have stated that all old contracts will be examined on a case-by-case basis, and that all future oil exploration contracts should be based on open

⁶⁵ United Nations Security Council Resolution 1511, S/Res/1511(2003), October 15, 2003.

⁶⁶ *The Law of Land Warfare (LLW)*, Field Manual No. 27-10, Department of the Army, Washington, DC, July 18, 1956. Section 358. This manual restates in one place the relevant international law and agreements governing belligerent occupancy, including the Hague Regulations of 1907 and the Geneva Convention of 1949. See CRS Report RL31944, *Iraq's Economy: Past, Present, and Future*, and CRS General Distribution Memorandum *Export Import Bank Operations in Iraq*, by Jonathan Sanford for a more complete discussion of constraints placed on occupying powers in international law.

bidding procedures in line with international practice. Officials said that the oil ministry should aim at awarding new contracts during the second half of 2004.⁶⁷

Some authorities believe that because the Iraqi National Oil Company and the State Oil Marketing Organization (SOMO) as currently constituted are not independent of the Coalition Provisional Authority, they do not have the right under international law to enter into contracts to drill new wells or to otherwise develop new facilities because the occupying power may not itself have a right to do so. These authorities cite a 1967 case in which the United States insisted that Israel could not drill new wells or otherwise develop oil facilities when it held Egyptian oil fields.⁶⁸ A second complication, once again, is the apparent requirement that new contracts authorized by occupation authorities cannot last longer than the period of occupation.

A third issue relates to Iraq's formerly strict laws limiting foreign investment as instituted by the previous government. On September 21, 2003, the CPA instituted a new foreign investment law (CPA/ORD/19 September 2003/39) allowing, in part, for 100% ownership in all business sectors other than petroleum. However, since the new law is subject to adoption or replacement by an internationally recognized, representative government of Iraq (section 3), its effect is only temporary. Under international law, the occupying power may not permanently alter existing law and must uphold the existing Iraqi civil and penal codes.⁶⁹ Statutes can only be altered when a new, independent government decides whether they should be changed. Therefore, most authorities in international law believe that Iraq will need a legitimate government before permanent changes can be made in its laws, economy, and institutions, including major enhancements to the oil infrastructure.⁷⁰

Oil Prices

Although Iraq is a member of the Organization of Petroleum Exporting Countries (OPEC), its participation in OPEC's production quotas has been irregular. Frequent wars and twelve years of international sanctions have impeded Iraq's efforts to develop its oil production infrastructure and increase exports. Some OPEC member states and others in the international community fear that a new Iraqi government may decide that its national interests compel it to produce as much oil as it can, thus causing a severe drop in worldwide oil prices.

⁶⁷ "Iraqi Oil is for Iraqis," *Global News Wire*, November 28, 2003; "Iraq Targets Mid=2004 for Awarding E&P Contracts," *Platt's Oilgram News*, October 22, 2003; "Green Light Awaited for Iraq Contract Talks," *International Oil Daily*, October 14, 2003.

⁶⁸ United States Department of State, Memorandum of Law (Oct. 1, 1976), reprinted in 16 I.L.M. 733(1977). See CRS Report RL31944, p. 42-44, for a detailed analysis of the findings in this case.

⁶⁹ LLW, sections 368-370.

⁷⁰ CRS Report RL31944, p. 43.

Most oil industry analysts believe that this is not an immediate danger and point to the fact that Iraq's membership status in OPEC will be irrelevant until it reaches its pre-1990 production capacity of 3.5 million barrels per day — a process that will most likely take two years or more. After that time, however, Iraq's huge production potential and its need to raise as much money and to attract as much foreign investment as possible may make it more difficult to keep the country inside the OPEC quota system. Iraqi authorities will need to decide then whether expansion of their exports to get more revenue or whether cooperation with OPEC to maintain higher oil prices is in their national interest.

Appendix A: Selected United Nations Security Council Resolutions with Respect to Trade with Iraq

Resolution	Date	Effect
Resolution 661 (1990)	August 6, 1990	Imposes comprehensive economic sanctions on Iraq. Food and medicine are exempt. Establishes a committee to oversee implementation of sanctions.
Resolution 687 (1991)	April 3, 1991	Sets terms for a cease-fire and removal of Iraq's weapons of mass destruction. Maintains the terms of the embargo.
Resolution 706 (1991)	August 15, 1991	Sets out an oil-for-food mechanism. Authorizes an escrow account to be established by the Secretary General. The resolution is not accepted by the Government of Iraq.
Resolution 986 S/RES/986 (1995)	April 14, 1995	Enables Iraq to sell up to \$1 billion of oil every 90 days and use the proceeds for humanitarian supplies to the country. Sets terms of reference for Oil-for-Food Program.
Resolution 1153 S/RES/1153 (1998)	February 20, 1998	Increases Iraq's export limit to allow the sale of up to \$5.256 billion of Iraqi oil.
Resolution 1175 S/RES/1175 (1998)	June 19, 1998	Authorizes Iraq to buy \$300 million worth of spare parts in order to reach the \$5.256 billion ceiling for oil exports.
Resolution 1284 S/RES/1284 (2000)	March 31, 2000	Allows Iraq to export unlimited quantities of oil. Establishes United Nations Monitoring, Verification, and Inspection Commission (UNMOVIC).
Resolution 1409 S/RES/1409 (2002)	May 14, 2002	Introduces a Goods Review List and a new set of procedures for processing OFFP contracts.
Resolution 1441 S/RES/1441 (2002)	November 8, 2002	Declares Iraq to be in material breach of its obligations through failure to cooperate with UN inspectors. Gives Iraq a final opportunity to comply and directs it to give unconditional, unimpeded access. Repeats warning that failure to comply will lead to serious consequences.
Resolution 1472 S/RES/1472 (2003)	March 28, 2003	Adjusts the OFFP and gives the Secretary-General authority for a 45 day time period to facilitate the delivery and receipt of goods contracted by the Government of Iraq.
Resolution 1476 S/RES/1476 (2003)	April 24, 2003	Continues the Secretary-General's authority and temporary adjustments to the OFFP until June 3, 2003.
Resolution 1483 S/RES/1483 (2003)	May 22, 2003	Lifts civilian sanctions on Iraq. Provides for termination of the OFFP within six months. Transfers responsibility for the administration of any remaining activity to the Authority representing the occupying powers.

Source: UN Office for the Oil for Food Program, <<http://www.un.org/Depts/oip/>>

Appendix B: Trade Tables

Table 6. Iraq: Top 30 Export Commodities, 1978-1988

(SITC Rev 1 Commodities, actual U.S. Dollars)

Description	1978	1980	1982	1984	1986	1988
TOTAL — Total All Commodities	12,096,491,532	27,848,274,099	9,511,880,650	10,059,425,259	7,951,244,360	10,196,948,791
3310 — Crude petroleum,etc	11,715,404,094	26,836,854,618	9,227,214,793	9,324,035,153	7,108,381,737	8,904,133,182
3324 — Residual fuel oils	4,756,830	17,036,314	8,051,156	337,627,431	256,428,628	211,496,066
3323 — Distillate fuels	6,176,241	0	169	57,745,188	94,185,435	135,079,485
3320 — UN special code	0	0	0	0	0	132,585,500
3411 — Gas natural	23,048	2,121,410	0	25,630,998	21,376,227	103,887,581
3321 — Motor spirits, gasoline	16,461,915	101,531,716	0	30,527,957	78,665,908	98,251,710
2741 — Sulphur	25,964,228	25,264,676	0	19,884,024	37,283,397	76,251,163
7114 — Aircraft engines inc jet	8,628,022	6,897,918	11,485,012	26,844,460	28,304,405	56,904,477
5612 — Chem phosphatic fertilizer	13,533	110,470	0	26,121,589	42,934,553	36,009,776
0520 — Dried fruit	22,217,725	25,473,809	23,716,477	20,491,329	24,308,300	32,558,979
9310 — Special transactions	10,748,100	2,447,498	14,463,492	6,094,114	6,459,370	30,209,995
6612 — Cement	473,970	226,235	0	4,018,489	28,966,514	25,821,467
5132 — Chemical elements nes	54,692	40,965	118,602	31,664,729	8,796,035	23,881,002
0012 — Sheep, lambs, goats	385,429	663,450	0	836,880	804,642	18,090,201
5611 — Chem nitrogenous fertilizer	12,710,005	76,198,314	0	40,060	267,730	16,045,435
7349 — Aircraft parts,etc	831,947	467,626	801,956	3,091,381	5,921,651	14,701,682
5999 — Chem products, preparations, nes	9,240	108,600	1,397	8,841	3,183	12,391,277
2117 — Sheep skin without wool	7,490,856	5,810,587	6,154,531	7,847,627	6,980,645	11,420,624
0430 — Barley unmilled	2,076	186	34	0	13,871,462	11,286,217
5619 — Fertilizers nes	182,833	31,139	113,234	6,954,333	32,072	9,187,995
8619 — Measuring,controlling instruments	1,852,932	1,552,485	570,391	607,364	1,533,365	7,702,322
3325 — Lubricating oils, greases	1,104,798	2,491	44,586	15,447	2,158,340	5,513,677
2622 — Wool degreased	4,784,827	2,550,012	55,775	363,651	90,737	4,640,633
2840 — Non-ferrous metal scrap	798,733	592,816	284	653,213	354,101	4,639,450
2621 — Wool greasy, fleece-washed	1,785,935	728,672	938,643	1,308,947	623,882	3,990,977
5214 — Coal, petroleum distillates, nes	0	1,991	0	0	0	3,412,877
0811 — Hay fodder green, dry	0	37,042	0	17,328	377,323	3,351,476
2919 — Animal materials nes	875,053	872,763	141,693	244,754	1,057,411	3,176,703
3326 — Mineral galas	1,126,938	2,282,437	947,185	3,931,922	2,611,135	2,992,740
6576 — Carpets etc unknotted	88,924	24,353	34,651	524,769	258,483	2,528,148

Source: United Nations Trade Data, compiled by CRS using the Trade Policy Information System, Department of Commerce.

Table 7. Iraq: Top 30 Import Commodities, 1978-1988

(SITC Rev 1 Commodities, actual U.S. Dollars)

Description	1978	1980	1982	1984	1986	1988
TOTAL — Total All Commodities	5,148,586,209	12,073,848,974	17,386,519,541	8,350,706,527	7,445,381,968	7,723,760,915
0410 — Wheat etc unmilled	142,966,302	314,325,892	294,394,300	441,983,228	242,733,084	420,102,328
0111 — Bovine meat fresh, frozen	9,713,088	24,207,274	167,123,056	75,668,300	101,793,448	304,126,602
0422 — Rice glazed or polished	101,334,642	159,025,940	110,681,285	187,708,590	103,003,288	213,859,996
7151 — Machine tools for metal	35,238,720	42,052,629	91,645,006	37,443,817	14,302,069	208,758,961
5417 — Medicaments	57,681,524	114,504,116	106,011,974	101,400,934	179,213,391	198,520,334
6291 — Rubber tires, tubes	50,363,487	155,450,313	115,325,139	124,291,270	144,195,404	150,927,592
7222 — Switchgear etc	98,346,811	175,489,901	342,724,401	154,034,229	230,469,198	144,992,077
7328 — Motor vehicle parts nes	124,978,179	349,427,668	403,244,905	200,833,748	170,103,087	128,960,667
7192 — Pumps,centrifuges	111,239,219	209,362,098	380,692,052	141,805,149	218,901,934	123,876,172
7249 — Telecommunications equipment nes	165,878,284	236,929,742	616,677,861	339,750,309	288,025,108	120,420,357
5812 — Prod of polymerizing etc	44,376,362	134,236,101	146,952,599	108,842,863	62,895,220	119,935,960
6732 — Iron,steel bars etc	88,322,340	224,710,827	126,258,835	169,642,036	106,729,705	115,787,800
6793 — Iron, stl forgings rough	99,091	691,919	1,133,817	2,700,487	1,023,349	114,114,743
7341 — Aircrft heavier than air	18,263	11,811,860	73,403,752	3,504,516	4,561,359	106,812,747
7191 — Heating,cooling,equpmnt	125,428,916	237,866,906	342,924,431	78,795,524	115,451,146	104,961,681
0819 — Food waste and feed nes	11,287,939	6,497,997	23,492,934	91,322,940	40,176,503	99,510,476
7199 — Machine parts, accesories, nes	45,046,992	118,695,304	197,131,911	73,041,681	86,484,032	86,771,969
0741 — Tea	45,022,755	46,210,857	54,867,493	128,990,036	40,990,437	76,268,769
7193 — Mechanical handling equipment	73,332,323	212,613,116	236,746,873	52,925,219	55,564,712	76,254,840
7195 — Powered-tools nes	18,782,431	28,501,934	41,553,042	20,955,700	14,193,592	74,350,133
0813 — Vegetable oil residues	16,564,076	5,934,700	2,903,581	49,052,461	28,523,357	74,099,631
6535 — Woven synthetic fabrics	11,773,061	60,378,688	53,653,803	67,373,686	51,975,009	73,773,888
0440 — Maize unmilled	10,991,637	12,768,492	425,510	50,238,419	33,700,051	71,909,599
6952 — Tools nes	28,118,267	52,744,402	72,127,300	42,391,867	33,481,866	68,451,525
6989 — Other base metal manufactures	24,481,279	60,098,951	118,149,158	29,848,923	27,026,146	68,449,189
7340 — UN special code	0	35,000,000	159,322,296	2,438,050	78,683,435	67,103,360
7231 — Insulated wire, cable	80,162,466	144,572,861	296,831,892	56,632,480	71,113,395	65,582,788
0222 — Milk and cream dry	20,853,585	68,932,759	61,614,160	71,839,691	40,954,586	65,213,229
6516 — Yarn of synthetic fibers	52,851,449	85,973,719	106,507,138	79,498,120	135,859,065	65,186,173
9310 — Special transactions	12,013,008	18,293,528	33,672,628	41,859,715	24,975,612	64,576,044

Source: United Nations Trade Data compiled by CRS using the Trade Policy Information System, Department of Commerce.

Table 8. Iraq: Top 30 Export Commodities, 1990-1998

(SITC Rev. 3 Commodities, actual U.S. Dollars)

Description	1990	1992	1994	1996	1998
TOTAL — Total All Commodities	10,559,429,669	488,763,574	421,908,112	46,468,416	4,873,256,137
3330 — Crude oil from petroleum or bituminous minerals	9,875,305,499	45,992,568	332,602,134	31,542,874	4,706,719,191
9310 — Special transactions, not elsewhere specified	38,199,321	167,383	942	6,979	58,578,201
3431 — Liquified natural gas	0	0	9,184,485	0	12,596,107
7821 — Motor vehicles for the transport of goods	19,385	29,416	9,617	11,805	3,655,811
2882 — Nonferrous metal waste and scrap	464,530	22,094	5,801	0	3,389,062
7812 — Motor vehicles for the transport of persons	98,557	54,372	514,498	57,289	3,149,307
7843 — Parts and access. of special purpose motor vehicles	104,963	886	1,000	2,296	2,201,762
0342 — Fish, frozen (excluding fillets and minced fish)	74,703	21,472	0	908	1,489,324
0542 — Leguminous vegetables, dried, shelled	64,224	0	0	0	1,475,513
7757 — Electrotechnical domestic appliances and parts	1,576	0	0	167	1,182,703
7782 — Electric filament or discharge lamps; arc lamps, parts	5,263	65	731	0	1,105,281
7243 — Sewing machines, furniture, bases and covers, etc.	27,101	17,304	806	9,146	1,058,449
5112 — Cyclic hydrocarbons	4,759,795	0	0	0	923,947
5232 — Chlorides, chloride oxides, etc.; bromides, etc.	0	0	0	3,179	895,490
7232 — Self-propelled mechanical shovels and excavators	229,979	0	0	0	829,893
7519 — Office machines, not elsewhere classified	0	0	0	0	694,095
8959 — Office and stationery supplies, not elsewhere specified	0	0	329	7,772	401,930
7139 — Parts for internal combustion piston engines and parts, not elsewhere specified	59,849	142	16,023	0	384,019
8952 — Pens, pencils, and fountain pens	22,425	0	0	0	368,353
7758 — Electro thermic appliances, not elsewhere classified	34,902	0	0	0	361,642
0411 — Unmilled durum wheat	0	0	0	0	355,279
7611 — Color television receivers	147,172	4,472	0	0	339,589
7513 — Photocopying apparatus inc. an optical system	1	620	0	0	329,041
6794 — Iron and steel tubes, pipes and hollow profiles, not elsewhere specified	6,801	0	1,346	0	311,361
6841 — Unwrought Aluminum and aluminum alloys	15,081	0	0	0	255,292
7822 — Special purpose motor vehicles, other than for transport of persons	415,395	188,207	72,000	0	244,681
8997 — Basketware and other art of plaiting mat; brooms, etc.	11,701	0	450	0	211,223
0361 — Frozen crustaceans	0	0	0	0	198,828
7622 — Radio broadcast receivers, without external power	0	0	0	0	190,941
8823 — Photo film, rolls, sensitized, unexposed, exc. paper	0	0	0	0	163,478

Source: United Nations Trade Data compiled by CRS using the Trade Policy Information System, Department of Commerce.

Table 9. Iraq: Top 30 Import Commodities, 1990-1998

(SITC Rev. 3 Commodities, actual U.S. Dollars)

SITC Rev 3 Commodities	1990	1992	1994	1996	1998
TOTAL — Total All Commodities	5,380,475,477	586,594,236	432,751,728	311,555,523	1,416,531,218
0412 — Wheat, including spelt, and meslin, not elsewhere specified	322,877,010	34,723,454	10,755,943	26,212,142	154,619,312
5429 — Medicaments, not elsewhere specified	96,249,015	45,373,153	53,490,945	8,815,604	95,874,162
0612 — Cane/beet sugar, not elsewhere specified, chemical pure sucrose, solid form	93,411,620	54,885,817	49,970,401	284,413	78,940,755
4312 — Animal or vegetable fats and oils, fractions hydrogenated, etc.	502,706	92,494	89,850,927	9,420,284	77,357,612
0741 — Tea, whether or not flavored	54,966,460	1,126,090	93,288	890,517	66,750,037
0989 — Food preparations, not elsewhere specified.	72,684,326	20,522,916	481,566	2,847,769	54,330,208
0910 — Margarine; edible preparations and mixtures of animal fats	309,422	13,949,457	16,215,318	18,573,101	46,776,661
8722 — Medical instruments and appliances, including sight testing	25,655,292	2,368,722	2,201,762	894,956	33,561,577
8721 — Dental instruments and appliances, not elsewhere specified	546,219	6,012	0	888	31,218,365
0423 — Rice, milled whether polished, glazed or parboiled	114,087,028	37,237,338	7,063,099	3,840,529	29,123,695
0542 — Leguminous vegetables, dried, shelled	41,426,980	5,740,954	3,955,327	5,991,811	28,956,744
7165 — Electric generating sets	21,028,044	0	446,875	99,636	23,887,952
7822 — Special purpose motor vehicles other than for transport of persons	32,036,023	299,000	0	0	21,207,657
7426 — Centrifugal pumps, not elsewhere specified	22,775,785	375,110	1,186,389	934,166	19,292,674
0222 — Milk and cream, concentrated or sweetened	93,607,188	2,068,245	1,212,719	1,521,824	18,250,426
7212 — Harvesting, threshing, mowing and cleaning machines, etc.	25,305,062	116,000	98,100	211,299	16,131,022
5422 — Medicaments with hormones, etc, but no antibiotics	29,439,665	3,254,842	6,944,213	2,793,595	15,538,797
5421 — Medicaments with antibiotics or derivatives	18,505,038	4,398,396	1,781,426	1,159,006	15,093,814
0819 — Food wastes and prepared animal feeds, not elsewhere specified	39,476,229	33,464	3,073,530	1,273,121	14,160,386
7224 — Wheeled tractors, not elsewhere specified	2,544,946	0	0	8,000	12,946,339
9310 — Special transactions and commodities	22,231,164	108,195,460	9,300,723	96,424	12,834,321
7724 — Electrical appliances for switching, etc., electrical circuits	11,226,573	2,770	197,670	0	12,368,820
0251 — Bird's eggs in shell, fresh, preserved or cooked	18,423,963	9,249,022	247,023	20,357	11,419,424
7149 — Parts of turbojet engines and gas turbines	11,006,786	0	3,647	89,800	10,615,282
7223 — Track-laying tractors	1,007,394	0	0	0	10,000,000
7812 — Motor vehicles for the transport of persons	216,524,883	186,127	201,804	178,011	9,630,993
7821 — Motor vehicles for the transport of goods	40,894,440	275,468	907,833	1,326,000	8,462,329
5419 — Pharmaceutical goods, other than medicaments	10,169,549	4,220,869	1,000,472	4,466,923	8,338,955
7742 — Apparatus based on use of x-rays, etc.	7,963,268	0	3,081	140,626	8,124,909
5416 — Glycosides; glands, etc., antisera, vaccines, etc.	4,187,673	588,884	1,889,272	3,215,023	7,913,795

Source: United Nations Trade Data compiled by CRS using the Trade Policy Information System, Department of Commerce.

Table 10. Iraq's Major Trading Partners, 1980-1988

(Actual U.S. Dollars)

Trade Flow	Trading Partner	1980	1982	1984	1986	1988
Exports	.WORLD	37,062,321,003	14,462,096,699	12,730,596,880	9,659,373,852	12,186,107,326
Imports	.WORLD	12,459,383,000	19,374,854,800	8,857,314,140	8,104,521,058	8,457,556,057
Trade Balance /1	.WORLD	24,602,938,003	-4,912,758,101	3,873,282,740	1,554,852,794	3,728,551,269
Total Trade /2	.WORLD	49,521,704,003	33,836,951,499	21,587,911,020	17,763,894,909	20,643,663,383
Exports	Brazil	8,290,990,000	5,805,850,000	4,625,540,000	2,376,280,000	2,852,740,000
Imports	Brazil	288,900,000	317,890,000	350,040,000	371,990,000	297,720,000
Trade Balance	Brazil	-8,002,090,000	-5,487,960,000	-4,275,500,000	-2,004,290,000	-2,555,020,000
Total Trade	Brazil	8,579,890,000	6,123,740,000	4,975,580,000	2,748,270,000	3,150,460,000
Exports	United States	482,200,000	41,600,000	129,300,000	472,800,000	1,599,000,000
Imports	United States	724,500,000	846,200,000	664,100,000	527,300,000	1,145,500,000
Trade Balance	United States	-242,300,000	-804,600,000	-534,800,000	-54,500,000	453,500,000
Total Trade	United States	1,206,700,000	887,800,000	793,400,000	1,000,100,000	2,744,500,000
Exports	Turkey	1,150,890,000	1,417,580,000	926,350,000	768,700,000	1,440,780,000
Imports	Turkey	134,790,000	610,440,000	934,380,000	553,270,000	986,110,000
Trade Balance	Turkey	1,016,100,000	807,140,000	-8,030,000	215,430,000	454,670,000
Total Trade	Turkey	1,285,680,000	2,028,020,000	1,860,730,000	1,321,970,000	2,426,890,000
Exports	Japan	4,359,200,000	774,000,000	170,300,000	971,000,000	829,000,000
Imports	Japan	2,193,200,000	2,744,900,000	803,400,000	1,223,800,000	406,300,000
Trade Balance	Japan	2,166,000,000	-1,970,900,000	-633,100,000	-252,800,000	422,700,000
Total Trade	Japan	6,552,400,000	3,518,900,000	973,700,000	2,194,800,000	1,235,300,000
Imports	France	1,072,100,000	1,443,200,000	684,100,000	485,400,000	445,100,000
Exports	France	5,596,800,000	418,800,000	776,200,000	611,100,000	785,700,000
Trade Balance	France	-4,524,700,000	1,024,400,000	-92,100,000	-125,700,000	-340,600,000
Total Trade	France	6,668,900,000	1,862,000,000	1,460,300,000	1,096,500,000	1,230,800,000
Exports	Italy	2,874,500,000	1,563,900,000	1,016,300,000	740,300,000	1,003,200,000
Imports	Italy	942,500,000	1,661,100,000	628,200,000	564,100,000	205,700,000
Trade Balance	Italy	1,932,000,000	-97,200,000	388,100,000	176,200,000	797,500,000
Total Trade	Italy	3,817,000,000	3,225,000,000	1,644,500,000	1,304,400,000	1,208,900,000
Exports	Germany	640,400,000	229,300,000	477,100,000	138,610,000	221,723,000
Imports	Germany	1,799,700,000	3,138,000,000	861,000,000	821,734,000	982,769,000
Trade Balance	Germany	-1,159,300,000	-2,908,700,000	-383,900,000	-683,124,000	-761,046,000
Total Trade	Germany	2,440,100,000	3,367,300,000	1,338,100,000	960,344,000	1,204,492,000
Exports	Yugoslavia (former)	895,090,000	348,530,000	1,199,090,000	793,970,000	672,110,000
Imports	Yugoslavia (former)	306,510,000	719,710,000	306,450,000	333,080,000	343,280,000
Trade Balance	Yugoslavia (former)	588,580,000	-371,180,000	892,640,000	460,890,000	328,830,000
Total Trade	Yugoslavia (former)	1,201,600,000	1,068,240,000	1,505,540,000	1,127,050,000	1,015,390,000
Exports	United Kingdom	1,237,500,000	136,500,000	92,800,000	95,800,000	77,159,900
Imports	United Kingdom	748,100,000	1,525,300,000	454,400,000	654,900,000	732,431,000
Trade Balance	United Kingdom	489,400,000	-1,388,800,000	-361,600,000	-559,100,000	-655,271,100
Total Trade	United Kingdom	1,985,600,000	1,661,800,000	547,200,000	750,700,000	809,590,900
Exports	Romania	2,020,410,000	650,446,000	123,021,800	453,140,000	236,639,000
Imports	Romania	274,500,000	821,060,000	420,100,000	393,873,000	432,200,000

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Trade Flow	Trading Partner	1980	1982	1984	1986	1988
Trade Balance	Romania	1,745,910,000	-170,614,000	-297,078,200	59,267,000	-195,561,000
Total Trade	Romania	2,294,910,000	1,471,506,000	543,121,800	847,013,000	668,839,000
Exports	Spain	1,561,360,000	862,060,000	643,590,000	856,930,000	409,660,000
Imports	Spain	193,840,000	271,910,000	121,150,000	60,210,000	154,850,000
Trade Balance	Spain	1,367,520,000	590,150,000	522,440,000	796,720,000	254,810,000
Total Trade	Spain	1,755,200,000	1,133,970,000	764,740,000	917,140,000	564,510,000
Exports	Jordan	7,280,000	2,810,000	15,600,000	232,298,000	319,410,000
Imports	Jordan	94,870,000	189,920,000	174,890,000	121,496,000	172,850,000
Trade Balance	Jordan	-87,590,000	-187,110,000	-159,290,000	110,802,000	146,560,000
Total Trade	Jordan	102,150,000	192,730,000	190,490,000	353,794,000	492,260,000
Exports	Kuwait	6,700,000	11,500,000	45,500,000	45,090,300	149,576,000
Imports	Kuwait	420,100,000	892,500,000	303,100,000	216,846,000	298,163,000
Trade Balance	Kuwait	-413,400,000	-881,000,000	-257,600,000	-171,755,700	-148,587,000
Total Trade	Kuwait	426,800,000	904,000,000	348,600,000	261,936,300	447,739,000
Exports	India	1,340,260,000	939,173,000	691,489,000	102,785,000	336,990,000
Imports	India	68,550,000	69,718,800	43,845,700	19,824,200	17,882,700
Trade Balance	India	1,271,710,000	869,454,200	647,643,300	82,960,800	319,107,300
Total Trade	India	1,408,810,000	1,008,891,800	735,334,700	122,609,200	354,872,700
Exports	Netherlands	125,900,000	105,800,000	229,200,000	330,800,000	203,500,000
Imports	Netherlands	249,800,000	292,900,000	169,600,000	116,400,000	97,500,000
Trade Balance	Netherlands	-123,900,000	-187,100,000	59,600,000	214,400,000	106,000,000
Total Trade	Netherlands	375,700,000	398,700,000	398,800,000	447,200,000	301,000,000

Source: CRS calculations based on International Monetary Fund Direction of Trade Statistics

/1 Trade Balance equals Exports minus Imports

/2 Total Trade equals Exports plus Imports

Table 11. Iraq's Major Trading Partners, 1990-2001

(In Actual U.S. Dollars)

Trade Flow	Trading Partner	1990	1992	1994	1996	1998	2000	2001
Exports	World	12,554,378,393	655,332,905	422,473,513	553,759,960	6,176,825,976	16,541,315,037	12,636,496,781
Imports	World	5,934,361,151	549,306,849	453,201,278	516,740,167	1,660,682,963	3,025,274,508	4,312,201,822
Trade Balance	World	6,620,017,242	106,026,055	-30,727,765	37,019,793	4,516,143,013	13,516,040,529	8,324,294,959
Total Trade	World	18,488,739,544	1,204,639,754	875,674,791	1,070,500,126	7,837,508,940	19,566,589,545	16,948,698,602
Exports	United States	3,247,300,000	0	0	0	1,360,600,000	6,347,200,000	6,297,700,000
Imports	United States	639,700,000	400,000	800,000	2,800,000	106,500,000	10,900,000	46,400,000
Trade Balance	United States	2,607,600,000	-400,000	-800,000	-2,800,000	1,254,100,000	6,336,300,000	6,251,300,000
Total Trade	United States	3,887,000,000	400,000	800,000	2,800,000	1,467,100,000	6,358,100,000	6,344,100,000
Exports	France	520,230,000	21,211,500	0	0	255,756,000	356,824,000	591,174,000
Imports	France	400,744,000	25,313	0	0	737,827,000	1,316,360,000	887,022,000
Trade Balance	France	119,486,000	21,186,187	0	0	-482,071,000	-959,536,000	-295,848,000
Total Trade	France	920,974,000	21,236,813	0	0	993,583,000	1,673,184,000	1,478,196,000
Exports	Canada	202,892,000	103,604	21,565	0	114,406,300	965,341,000	1,100,238,000
Imports	Canada	166,079,000	3,377,760	0	563,663	2,580,840	51,711,600	3,830,120
Trade Balance	Canada	36,813,000	-3,274,156	21,565	-563,663	111,825,460	913,629,400	1,096,407,880
Total Trade	Canada	368,971,000	3,481,364	21,565	563,663	116,987,140	1,017,052,600	1,104,068,120
Exports	Italy	351,837,000	782,525	58,605	164,773	402,667,000	1,672,240,000	607,189,000
Imports	Italy	274,538,000	0	2,182,800	1,394,070	37,896,600	238,160,000	326,438,000
Trade Balance	Italy	77,299,000	782,525	-2,124,195	-1,229,297	364,770,400	1,434,080,000	280,751,000
Total Trade	Italy	626,375,000	782,525	2,241,405	1,558,843	440,563,600	1,910,400,000	933,627,000
Exports	Netherlands	831,783,000	202,290	11,539	88,380	472,318,000	512,555,000	790,877,000
Imports	Netherlands	146,909,000	17,251,800	3,731,330	15,030,300	21,388,800	33,185,500	37,797,900
Trade Balance	Netherlands	684,874,000	-17,049,510	-3,719,792	-14,941,920	450,929,200	479,369,500	753,079,100
Total Trade	Netherlands	978,692,000	17,454,090	3,742,869	15,118,680	493,706,800	545,740,500	828,674,900
Exports	Spain	527,428,000	0	97,045	0	497,284,000	1,186,530,000	383,165,000
Imports	Spain	78,084,600	0	0	0	14,164,600	57,788,800	92,984,000
Trade Balance	Spain	449,343,400	0	97,045	0	483,119,400	1,128,741,200	290,181,000
Total Trade	Spain	605,512,600	0	97,045	0	511,448,600	1,244,318,800	476,149,000
Exports	China	71,141,400	602,000	866,000	113,000	59,861,000	647,645,000	73,022,000
Imports	China	32,541,900	666,000	1,552,000	1,035,000	104,546,000	327,259,000	396,973,000
Trade Balance	China	38,599,500	-64,000	-686,000	-922,000	-44,685,000	320,386,000	-323,951,000
Total Trade	China	103,683,300	1,268,000	2,418,000	1,148,000	164,407,000	974,904,000	469,995,000
Exports	Australia	316,580	0	0	0	68,516,400	156,685,800	0
Imports	Australia	171,395,000	26,359,100	52,106,500	15,515,800	196,351,000	341,621,000	438,877,000
Trade Balance	Australia	-171,078,420	-26,359,100	-52,106,500	-15,515,800	-127,834,600	-184,935,200	-438,877,000
Total Trade	Australia	171,711,580	26,359,100	52,106,500	15,515,800	264,867,400	498,306,800	438,877,000

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Trade Flow	Trading Partner	1990	1992	1994	1996	1998	2000	2001
Exports	Japan	893,237,000	1,283,510	0	4,406	88,528,400	660,892,000	140,558,000
Imports	Japan	270,946,000	414,855	1,113,000	321,729	9,898,930	42,575,800	189,918,000
Trade Balance /1	Japan	622,291,000	868,655	-1,113,000	-317,323	78,629,470	618,316,200	-49,360,000
Total Trade /2	Japan	1,164,183,000	1,698,365	1,113,000	326,135	98,427,330	703,467,800	330,476,000
Exports	Vietnam	0	0	0	43,000	241,000	38,000	41,002
Imports	Vietnam	3,976,000	14,232,000	21,309,000	66,180,000	165,900,000	321,525,000	320,192,000
Trade Balance	Vietnam	-3,976,000	-14,232,000	-21,309,000	-66,137,000	-165,659,000	-321,487,000	-320,150,998
Total Trade	Vietnam	3,976,000	14,232,000	21,309,000	66,223,000	166,141,000	321,563,000	320,233,002
Exports	Germany	56,410,600	305,389	146,202	395,555	79,465,800	42,561,000	378,000
Imports	Germany	796,338,000	7,317,860	12,342,900	10,009,500	87,088,200	126,690,000	301,370,000
Trade Balance	Germany	-739,927,400	-7,012,471	-12,196,698	-9,613,945	-7,622,400	-84,129,000	-300,992,000
Total Trade	Germany	852,748,600	7,623,249	12,489,102	10,405,055	166,554,000	169,251,000	301,748,000
Exports	Austria	708,497	0	0	2,739	134,666,000	284,477,000	170,494,000
Imports	Austria	96,873,700	0	0	157,653	9,653,230	27,781,100	76,671,700
Trade Balance	Austria	-96,165,203	0	0	-154,914	125,012,770	256,695,900	93,822,300
Total Trade	Austria	97,582,197	0	0	160,392	144,319,230	312,258,100	247,165,700
Exports	India	404,272,000	1,171,570	44,599	43,716	171,914,000	211,468,000	228,174,000
Imports	India	51,244,300	82,777	378,347	2,453,790	7,336,540	8,923,060	8,886,070
Trade Balance	India	353,027,700	1,088,793	-333,748	-2,410,075	164,577,460	202,544,940	219,287,930
Total Trade	India	455,516,300	1,254,347	422,946	2,497,506	179,250,540	220,391,060	237,060,070
Exports	Greece	79,241,600	79,740,000	0	0	75,245,000	308,906,000	231,358,000
Imports	Greece	22,910,000	1,734,000	211,000	0	2,062,300	4,472,700	5,072,200
Trade Balance	Greece	56,331,600	78,006,000	-211,000	0	73,182,700	304,433,300	226,285,800
Total Trade	Greece	102,151,600	81,474,000	211,000	0	77,307,300	313,378,700	236,430,200
Exports	Russia	0	100,000	0	0	0	0	9
Imports	Russia	0	100,000	8,928,000	0	43,076,000	89,886,200	187,339,009
Trade Balance	Russia	0	0	-8,928,000	0	-43,076,000	-89,886,200	-187,339,000
Total Trade	Russia	0	0	8,928,000	0	43,076,000	89,886,200	187,339,000
Exports	Romania	331,456,000	0	0	1,145,455	83,732,700	19,091	99,654,500
Imports	Romania	42,100,000	0	0	0	2,740,000	4,500,000	12,600,000
Trade Balance	Romania	289,356,000	0	0	1,145,455	80,992,700	-4,480,909	87,054,500
Total Trade	Romania	373,556,000	0	0	1,145,455	86,472,700	4,519,091	112,254,500

Source: CRS calculations based on International Monetary Fund Direction of Trade statistics.

/1 Trade Balance equals exports minus imports.

/2 Total Trade equals imports plus exports.

Table 12. Iraq's Regional Trading Partners, 1980-1988

(In Actual U.S. Dollars)

Trade Flow	Country	1980	1982	1984	1986	1988
Exports	Jordan	7,280,000	2,810,000	15,600,000	232,298,000	319,410,000
Imports	Jordan	94,870,000	189,920,000	174,890,000	121,496,000	172,850,000
Trade Balance /1	Jordan	-87590000	-187,110,000	-159,290,000	110,802,000	146,560,000
Total Trade /2	Jordan	102,150,000	192,730,000	190,490,000	353,794,000	492,260,000
Exports	Kuwait	6,700,000	11,500,000	45,500,000	45,090,300	149,576,000
Imports	Kuwait	420,100,000	892,500,000	303,100,000	216,846,000	298,163,000
Trade Balance	Kuwait	-413400000	-881,000,000	-257,600,000	-171,755,700	-148,587,000
Total Trade	Kuwait	426,800,000	904,000,000	348,600,000	261,936,300	447,739,000
Exports	Morocco	402,930,000	173,180,000	318,530,000	114,460,000	235,438,000
Imports	Morocco	380,000	15,330,000	19,720,000	29,850,000	9,749,370
Trade Balance	Morocco	402550000	157,850,000	298,810,000	84,610,000	225,688,630
Total Trade	Morocco	403,310,000	188,510,000	338,250,000	144,310,000	245,187,370
Imports	United Arab Emirates	40,200,000	72,500,000	61,110,500	51,399,100	70,673,800
Exports	United Arab Emirates	900,000	7,100,000	4,300,000	12,000,000	36,000,000
Trade Balance	United Arab Emirates	39300000	65,400,000	56,810,500	39,399,100	34,673,800
Total Trade	United Arab Emirates	41,100,000	79,600,000	65,410,500	63,399,100	106,673,800
Imports	Saudi Arabia	20,300,000	53,100,000	29,600,000	45,700,000	38,068,900
Exports	Saudi Arabia	2,900,000	1,700,000	26,000,000	23,100,000	28,407,500
Trade Balance	Saudi Arabia	17400000	51,400,000	3,600,000	22,600,000	9,661,400
Total Trade	Saudi Arabia	23,200,000	54,800,000	55,600,000	68,800,000	66,476,400
Exports	Egypt	3,030,000	920,000	10,070,000	33,215,000	18,233,000
Imports	Egypt	70,000	670,000	21,610,000	16,144,000	37,674,000
Trade Balance	Egypt	2960000	250,000	-11,540,000	17,071,000	-19,441,000
Total Trade	Egypt	3,100,000	1,590,000	31,680,000	49,359,000	55,907,000
Exports	Oman	0	0	0	0	67,620
Imports	Oman	400,000	0	0	28,975,200	43,092,300
Trade Balance	Oman	-400000	0	0	-28,975,200	-43,024,680
Total Trade	Oman	400,000	0	0	28,975,200	43,159,920
Exports	Bahrain	0	0	0	0	0
Imports	Bahrain	0	0	0	0	6,802,000
Trade Balance	Bahrain	0	0	0	0	-6,802,000
Total Trade	Bahrain	0	0	0	0	6,802,000
Imports	Syria	29,780,000	120,000	0	0	0
Exports	Syria	734,930,000	295,370,000	0	200,000	0
Trade Balance	Syria	-705150000	-295,250,000	0	-200,000	0
Total Trade	Syria	764,710,000	295,490,000	0	200,000	0

Source: CRS calculations based on International Monetary Fund Direction of Trade Statistics

/1 Trade Balance equals Exports minus Imports

/2 Total Trade equals Exports plus Imports

Table 13. Iraq's Regional Trading Partners, 1990-2001

(In Actual U.S. Dollars)

Trade Flow	Country	1990	1992	1994	1996	1998	2000	2001
Exports	Jordan	411,560,000	434,552,000	416,939,000	505,586,000	332,418,000	682,562,000	736,484,000
Imports	Jordan	178,607,000	71,846,000	150,643,000	135,626,000	149,725,000	141,119,000	140,534,000
Trade Balance /1	Jordan	232,953,000	362,706,000	266,296,000	369,960,000	182,693,000	541,443,000	595,950,000
Total Trade /2	Jordan	590,167,000	506,398,000	567,582,000	641,212,000	482,143,000	823,681,000	877,018,000
Exports	Morocco	190,490,000	6,000	0	0	0	0	410,538,000
Imports	Morocco	39,866,000	0	2,004,840	3,276,210	0	0	35,204,200
Trade Balance	Morocco	150,624,000	6,000	-2,004,840	-3,276,210	0	0	375,333,800
Total Trade	Morocco	230,356,000	6,000	2,004,840	3,276,210	0	0	445,742,200
Exports	Egypt	7,380,000	14,000	166,000	179,671	0	414,899	984,728
Imports	Egypt	31,328,000	21,000	1,041,000	72,460	38,539,600	74,868,600	90,558,900
Trade Balance	Egypt	-23,948,000	-7,000	-875,000	107,211	-38,539,600	-74,453,701	-89,574,172
Total Trade	Egypt	38,708,000	35,000	1,207,000	252,131	38,539,600	75,283,499	91,543,628
Exports	Oman	72,822	0	0	0	0	1,351	1,310
Imports	Oman	103,222,000	0	0	1,001,250	3,059,590	36,604,900	35,506,800
Trade Balance	Oman	-103,149,178	0	0	-1,001,250	-3,059,590	-36,603,549	-35,505,490
Total Trade	Oman	103,294,822	0	0	1,001,250	3,059,590	36,606,251	35,508,110
Exports	Lebanon	0	0	0	69,378	44,000	910,000	981,890
Imports	Lebanon	0	0	0	1,278	7,463,000	28,750,000	28,630,800
Trade Balance	Lebanon	0	0	0	68,100	-7,419,000	-27,840,000	-27,648,910
Total Trade	Lebanon	0	0	0	70,656	7,507,000	29,660,000	29,612,690
Imports	Qatar	0	0	0	0	0	82,418	79,945
Exports	Qatar	0	0	0	0	0	0	0
Trade Balance	Qatar	0	0	0	0	0	82,418	79,945
Total Trade	Qatar	0	0	0	0	0	82,418	79,945
Exports	Bahrain	0	0	14,011	65,673	4,207	5,176	5,584
Imports	Bahrain	0	0	0	43,197	53,184	64,685	64,417
Trade Balance	Bahrain	0	0	14,011	22,476	-48,977	-59,510	-58,833
Total Trade	Bahrain	0	0	14,011	108,870	57,392	69,861	70,001
Exports	Kuwait	0	0	0	0	0	0	0
Imports	Kuwait	248,718,000	0	0	0	0	0	0
Trade Balance	Kuwait	-248,718,000	0	0	0	0	0	0
Total Trade	Kuwait	248,718,000	0	0	0	0	0	0

Source: CRS calculations based on International Monetary Fund Direction of Trade Statistics

/1 Trade Balance equals Exports minus Imports

/2 Total Trade equals Exports plus Imports