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Iraq's Trade with the World: Data and Analysis

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Summary

In the last 25 years, Iraq's economic involvement in the world market has fluctuated dramatically — fluctuations brought about, in part, by damage to its oil infrastructure during the Iran-Iraq War of the 1980s, followed by a multinational military response and years of multilateral economic sanctions as a result of its 1990 invasion of Kuwait.

Economic stability in Iraq has depended 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 and virtually all exports since 1996. When international economic 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 (U.N.) 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 a United Nations-administered Oil-For-Food Program (OFF) that allowed the Iraqi government to export limited amounts of oil and import food and humanitarian supplies under close supervision. On May 22, 2003, the U.N. Security Council adopted Resolution 1483, lifting all civilian trade sanctions on Iraq and providing for the termination of the OFF.

Since Iraq's chief export product is crude oil, the country's economic future, at least in the short term, depends on its ability to tap into its vast oil resources. According to U.S. Department of Energy statistics, Iraq has 115 billion barrels of proven oil reserves, and possible reserves of as much as 220 billion barrels. Due to years of war combined with the excesses of the Hussein regime, its oil potential has been largely unexplored and only 17 of 80 discovered oil fields have been developed.

Despite concerns over continued insurgent activity and the stability of the interim government that have scared away much foreign investment by major corporations, the Bush Administration officials and others report that Iraq's economy is doing well. The U.S. government is engaged in efforts to attract small and medium U.S. businesses to work and invest in the country as subcontractors on U.S. government contracts and in the private sector. The United States has lifted most international trade sanctions with respect to Iraq in keeping with United Nations Security Council Resolution 1483, and has designated Iraq as a beneficiary developing country under the Generalized System of Preferences.

This report provides detailed trade information and statistics on Iraq's trade with the world from 2001 to 2003 (latest data available), highlighting its major trading partners. Data on U.S. trade with Iraq from 2002 to 2004 are also provided. The report will be updated as events warrant.

Contents

Introduction	1
Background	2
Sanctions and the Oil-For-Food Program	3
Iraq's Exports	4
Iraq's Oil Resources	6
Condition of Infrastructure	7
Post-Saddam Situation	8
Iraq's Imports	10
Post-Saddam Situation	12
Illicit Trade	13
Post-Saddam Situation	13
Major Trading Partners	14
Pre-War International Interests	15
Russia	15
France	16
United States	16
Asia	17
Post-Saddam Trade and Investment Prospects	18
U.S. Economic and Trade Policy	19
Current State of Iraq's Economy	19
Exim Bank and OPIC Facilitation	21
Normalizing Trade Relations	22
Generalized System of Preferences	24
Conclusion	24
Appendix: Trade Tables	26

List of Figures

Figure 1. Iraq's Imports and Exports, 1980 - 2003	3
Figure 2. Iraq's Exports of Crude Oil, 1996 to 2003	6
Figure 3. Iraq: Monthly Oil Production and Exports, May 2003-February 2005	10

List of Tables

Table 1. Iraq's Top 10 Exports, 1989	5
Table 2. Iraq's Top 10 Imports, 1989	10
Table 3. Iraq's Oil-For-Food Imports by Sector, 1997-2002	11

Table 4. Iraq's Top 10 Export and Import Trading Partners, 2003	15
Table 5. Top U.S. Imports from Iraq, 2002 - 2004	26
Table 6. Major U.S. Exports to Iraq, 2002 - 2004	27
Table 7. Iraq: Top 30 World Import Commodities, 2001-2003	29
Table 8. Iraq: Top 30 World Export Commodities, 2001-2003	31
Table 9. Iraq's Major Trading Partners, 2001-2003	33

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 (1980-1988), and the influences of Iraq's 1990 invasion of Kuwait which led to a multinational military response. International economic sanctions were imposed on Iraq following the invasion pursuant to United Nations Security Council Resolution 661.¹ From 1996 until the end of the regime of Saddam Hussein, exports and imports were closely regulated through a U.N.-authorized Oil-For-Food Program (OFF) that permitted the Iraqi government to sell limited quantities of oil in order meet the needs of its people for food and humanitarian supplies. The OFF officially terminated its operations on November 21, 2003, in keeping with U.N. Security Council Resolution 1483.

Many in Congress and the Bush Administration believe that reconstructing Iraq, including assisting in the restoration of its economic systems, is a compelling U.S. national interest. This belief was emphasized in the final report of the National Commission on Terrorist Attacks Upon the United States (informally known as the 9/11 Commission), which recommended that "a comprehensive U.S. strategy to counter terrorism should include economic policies that encourage development, more open societies, and opportunities for people to improve the lives of their families and to enhance prospects for their children's future."² The 9/11 Commission also cautioned that if "Iraq becomes a failed state, it will go to the top of the list of places that are breeding grounds for terrorism at home."³

International trade and economic development are essential to Iraq's recovery from war, from decades of repression, and from the adverse effects of international sanctions. In addition, Iraq's economic success, at least in the short term, is dependent on its ability to export crude oil, which accounted for 83% of all exports from 1980-1989 and virtually all exports since 1996. However, continuing insurgent attacks against oil facilities have kept post-war oil export flows below pre-war levels. Extensive investment in the rehabilitation of Iraq's oil facilities is also required before pre-sanctions production levels are realized and new production can be developed.

¹ S/RES/661, August 16, 1990.

² *National Commission on Terrorist Attacks Upon the United States*, Final Report, July 22, 2004, p. 378-379.

³ *Ibid.*, p. 367.

This report provides, first, an analysis of Iraq's trade with the world from the Saddam Hussein's assumption of the presidency in 1979 to the present, with emphasis on the post-Saddam period. Iraq's exports (especially its oil resources), primary imports, major trading partners, trade during the U.N. sanctions period, and alleged illicit trade during that period are discussed. Second, the report discusses the progress of largely U.S.-driven economic development initiatives in Iraq, and the continued process of normalizing Iraq-United States trade relations. Third, an appendix provides comprehensive tables on Iraq's exports, imports, major trading partners, and regional trade.

Background

Since the beginning of Saddam Hussein's regime in 1979, distinct patterns can be seen in Iraq's international trade relationship with the world that seem to track its domestic history (see **Figure 1**, p. 3). The first pattern corresponds to the beginning of the Iran-Iraq War, beginning in 1980 and ending in 1988. In 1979, just prior to the war, oil production had reached an all-time high of 3.5 million barrels per day (bpd), decreased to 2.5 million bpd in 1980, and plummeted to less than 1 million bpd in 1983.⁴ Imports during the same time period soared from about \$8.5 billion in 1979 to about \$19 billion in 1982 and 1983.⁵ Some of the increase in that period may be due to imports of dual-use (items with military and civilian uses) commodities, but such a marked increase in imports might also have signaled that the government and Iraqi industries were less able to produce food and goods domestically in a wartime environment. By 1984, imports decreased dramatically as the effects of the war caused Iraq's economy to contract. The cost of living rose sharply, the *dinar* was devalued, and the government and other organizations began to fall behind in payments to foreign contractors.⁶

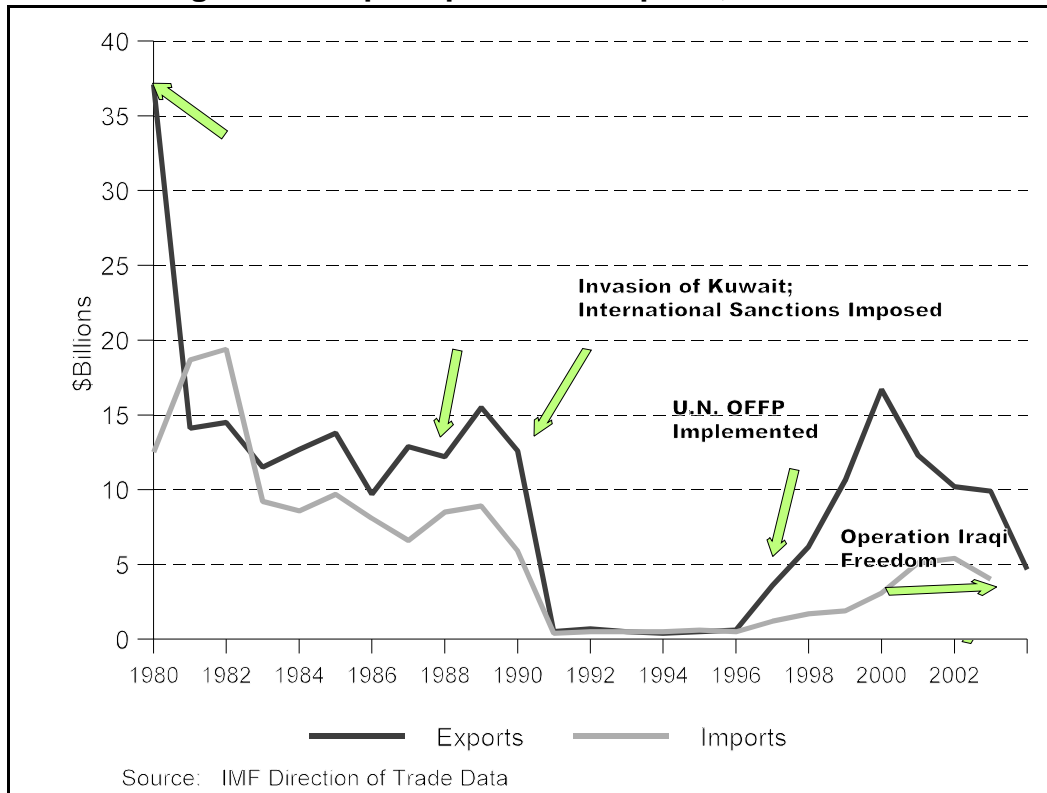
Another period emerged after the end of the war in August 1988, when both exports and imports increased slightly until international economic sanctions were imposed directly after Iraq's invasion of Kuwait in August 1990. Between 1990 and 1997 international trade virtually collapsed as both exports and imports hovered between \$400-\$600 million per year.

The third pattern in Iraq's international trade begins after the implementation of the Oil-for-Food Program. Between December 1996 and 1998, oil exports were limited to certain levels, and all exports were closely regulated by the United Nations until the ending of international sanctions in 2003. Similarly, imports during this time period were limited to food, humanitarian, and medical necessities. Imports during this period ranged from \$2 to \$5 billion and exports from \$6 to \$17 billion.

⁴ "Middle East Oil and Gas," *Exxon Background Series*, December 1984, p. 12.

⁵ The \$17.5 billion figure is based on trade data collected by the United Nations. The \$21 billion figure is based on the International Monetary Fund Direction of Trade Statistics series.

⁶ Sluglett, Marion F. and Sluglett, Peter, *Iraq Since 1958: From Revolution to Dictatorship*, New York: KPI, p. 265.

Figure 1. Iraq's Imports and Exports, 1980 - 2003

Sanctions and the Oil-For-Food Program

In August 1990, the U.N. Security Council adopted Resolution 661, imposing comprehensive economic sanctions following Iraq's invasion of Kuwait. From 1991 to 1995, Iraq declined to accept U.N. proposals to allow Iraq to sell limited quantities of oil to meet the needs of its people because the Hussein regime believed that these proposals infringed on Iraq's sovereignty and were limited in scope. The U.N. Security Council made repeated efforts during the period to alleviate human suffering in Iraq while pressing Iraq to comply with all relevant U.N. Security Council resolutions. Without oil export revenues, Iraq could not import sufficient quantities of food and medical supplies, and living conditions in the country reportedly deteriorated sharply.⁷

On April 19, 1995, the U.N. 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 the Security Council signed a memorandum of understanding on the implementation of the Oil-For-Food Program (OFF) on May 20, 1996 and the first Iraqi oil exports

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

began on December 10, 1996.⁸ 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 baskets received under the OFF.⁹ A complete discussion of the Oil-For-Food Program is found in CRS Report RL30472, *Iraq: Oil-For-Food Program, International Sanctions, Illicit Trade, and Investigations*, by Kenneth Katzman and Christopher Blanchard.

The U.N. 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, 2003.¹⁰ Iraq's exports of crude oil during this period are shown in **Figure 3** (p. 9).

On May 22, 2003, the Security Council adopted Resolution 1483, lifting all economic sanctions on Iraq, with the exception of arms and related military supplies. The resolution provided for the termination of the OFF within six months, and the transfer of all remaining transactions under the program to the Coalition Provisional Authority (CPA, referred to in the resolution as "the Authority"). In keeping with Resolution 1483, the OFF terminated its operations on November 21, 2003.

Iraq's 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 1953.¹¹ In the 1980s, crude oil represented 83% annually of all Iraqi exports.¹² Non-petroleum export products in the 1980s included portland cement, fruit (mainly dates),

⁸ United Nations, Security Council. *Letter Dated 20 May 1996 From the Secretary-General Addressed to the President of the Security Council*. Document No. S/1996/356.

⁹ United Nations. *Report of the Secretary-General pursuant to paragraphs 7 and 8 of Resolution 1409 (September 2002)*, Document No. S/2002/1239, November 12, 2002.

¹⁰ 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; VI, November 26, 1998 to May 24, 1999, extended until December 11, 1999; VII, December 12, 1999 to June 8, 2000; VIII, June 9, 2000 to December 5, 2000; IX, December 6, 2000 to June 3, 2001, extended until July 30, 2001; X, July 4, 2001 to November 30, 2001; XI, December 1, 2001 to May 29, 2002; XII May 30, 2002 to November 25, 2002, extended until December 4, 2002; and XIII, December 5, 2002 to program suspension on March 17, 2003.

¹¹ Sluglett, M. & Sluglett, P. *Iraq Since 1958: From Revolution to Dictatorship*. New York: KAI Limited, 1987, p. 35.

¹² Economist Intelligence Unit (EIU) calculations.

fertilizers, and reaction engines. **Table 1** illustrates Iraq's top export products in 1989, the year before the initiation of economic sanctions.

Table 1. Iraq's Top 10 Exports, 1989

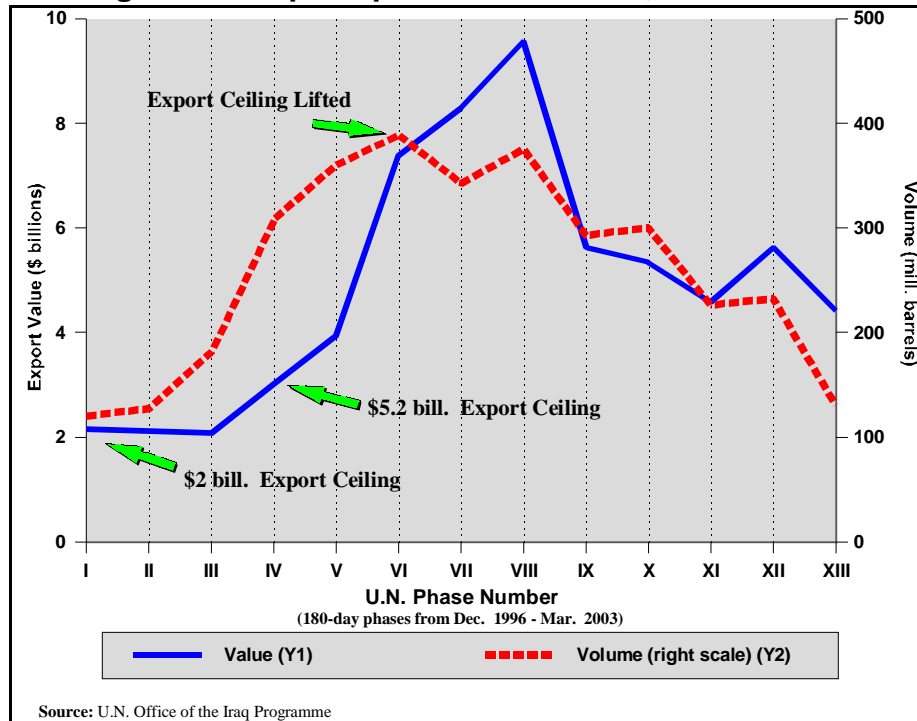
SITC Rev 3 Commodity	Million \$
3330-Crude oil	\$11,545.4
3344-Fuel oils, nes	\$211.3
3343-Gas oils	\$119.8
3341 — Gasoline and other light oils	\$78.8
2741-Sulfur of all kinds	\$39.2
6612-Portland cement	\$35.7
0579-Fruit, fresh or dried, nes	\$30.8
5629-Fertilizers, nes	\$29.6
7144-Reaction engines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

Source: United Nations Trade Data
nes=not elsewhere specified.

When economic 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 \$500 and \$600 million. **Figure 2** illustrates the dollar value of Iraq's exports of crude oil from 1980 to 2003 as reflected in U.N. trade data. In the year 2000, the highest level of exports achieved during the OFF, the sharp rise in export value can also be attributed to a spike in oil prices between December 1999 and September 2000.¹³ A closer look at Iraq's exports between December 1996 and March 2003 (see **Figure 3**) shows that despite periodic increases in the oil export ceiling and the eventual 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 U.N. officials over U.N. efforts to end illicit surcharges placed on oil exports. 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.¹⁴ **Figure 3** illustrates Iraq's semiannual oil exports under the OFF (December 1996-March 2003) by dollar value and by volume.

¹³ Department of Energy, *Iraq Energy Chronology, 1980-February 2004*, Energy Information Administration, [<http://www.eia.doe.gov/emeu/cabs/iraqchron.html>].

¹⁴ CRS Report RL30472, *Iraq: Oil-For-Food Program, International Sanctions, and Illicit Trade*, by Kenneth Katzman.

Figure 2. Iraq's Exports of Crude Oil, 1996 to 2003

Iraq's 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 its ability to tap into its vast oil resources. According to U.S. Department of Energy (DOE) analysts, Iraq has 115 billion barrels of proven oil reserves — second only to Saudi Arabia's 260 billion barrels of proven reserves — and possibly much more undiscovered oil in unexplored areas, given that only about 10% of the country has been explored.¹⁵ Due to years of war, economic sanctions, and mismanagement during the Hussein regime, Iraq's oil potential has been largely unexplored. Only 17 of 80 discovered oilfields have been developed, and few deep wells have been drilled compared to its neighbors. DOE analysts estimate that only 2,300 oil wells have actually been drilled, and, of these, only 1,600 are currently producing oil.¹⁶

Iraq's all-time peak oil production was 3.7 million barrels per day in 1979, just prior to the war with Iran. Output dropped sharply as the war began, but gradually recovered to a similar level by 1989-1990. As a result of severe damage to the oil industry infrastructure during the Gulf War, followed by economic sanctions, crude oil production was reduced sharply to about 300,000 bpd.¹⁷ From 1990 to the end of

¹⁵ U.S. Department of Energy, *Iraq Country Analysis Brief*, Energy Information Administration (EIA), p. 1. [<http://www.eia.doe.gov/emeu/cabs/iraq.html>].

¹⁶ *Ibid.*

¹⁷ United Nations, Security Council, *Letter dated 6 June 2001 from the Secretary-General* (continued...)

1996, U.N. 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.¹⁸

Condition of Infrastructure. Prior to the implementation 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. The Security Council, after determining that the state of Iraq's oil sector was "lamentable," allowed a limited amount of investment in equipment and spare parts for basic maintenance of the oil infrastructure (a total of \$3 billion from June 1998 to June 2001). However, according to the calculations of U.N. oil industry experts, investment in Iraq's oil sector from 1990 on was about \$0.60 per barrel, in contrast to the worldwide average of \$1.50 per barrel. U.N. experts forecasted declines in oil production from 5% to 15% per year if the oil infrastructure was not improved.¹⁹ The position of the United States and its allies during the sanctions regime, however, was that OFF funds should be used only for short-term improvements, rather than for making long-term repairs.²⁰

Oil industry experts assessed Iraq's pre-war sustainable production capacity at no higher than 2.8-3.0 million bpd, with net export potential of around 2.3-2.5 million bpd (including smuggled oil).²¹ Conservative estimates for restoring the oil sector to pre-1990 levels by 2006 range between \$5.0-\$6.0 billion, and as much as \$20 billion may be required to reach oil production of 4 million bpd.²² Prior to the 2003 war, the regime of Saddam Hussein had a blueprint in place for doubling capacity to 6 million bpd, with foreign oil companies playing a key role.²³ In order to reach this potential, however, the regime acknowledged that Iraq's oil sector would require investment at all levels, including technical services, capital equipment, and infrastructure.²⁴ Iraqi authorities estimated that the 6 million bpd target would require an additional investment of at least \$21 billion and would probably take 8 to 10 years to achieve after the lifting of international economic sanctions. Plans to reach the target included further development of producing oilfields as well as finding and developing additional fields in the Western Desert.

¹⁷ (...continued)

addressed to the President of the Security Council, S/2001/566.

¹⁸ CRS Report RL31944, *Iraq's Economy, Past, Present, and Future*, Jonathan E. Sanford, Coordinator.

¹⁹ 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.

²⁰ U.S. Department of Energy, *Iraq Country Analysis Brief*, p. 4.

²¹ *Ibid.*

²² Energy Intelligence Group, "Iraq Explores Limits of New Freedom," *Petroleum Intelligence Weekly*, July 5, 2004.

²³ Energy Intelligence Group, "Iraq is Primed for Big Oil Opening," *Petroleum Intelligence Weekly*, March 12, 2003

²⁴ 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.

Post-Saddam Situation

Even though Iraq's oilfields were captured largely intact, the oil industry has been hampered by post-war chaos and looting of its oil facilities. Damage and continued sabotage to infrastructure, refineries, and mainline transport facilities have slowed efforts to return exports to pre-war levels. From June 2003 to the end of February 2005, there were 211 documented attacks on Iraqi oil pipelines.²⁵ Many observers believe that 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.²⁶ The Iraqi government has also reportedly assumed direct control of a 14,000-man security guard force originally hired by Erinys, a South Africa-based contractor.²⁷ The Oil Ministry is also reportedly exploring the use of advanced technology to protect pipelines by building so-called safe passages, or fences with sensors and cameras around them.²⁸ Nevertheless, attacks by insurgents on oil pipelines continue, which has resulted in Iraq's inability to sustain its post-war production and export capacity on a regular basis (see **Figure 3**). Other difficulties in the oil supply infrastructure, including deficiencies in electrical power and water supplies, have further hindered production.²⁹

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 led the CPA to sponsor imports of gasoline and propane from other countries using U.S. funds. These imports have continued beyond the transition of power and are paid through the Development Fund for Iraq, now administered by the transitional Iraqi government. Iraq is currently importing about 10-12 million liters of gasoline per day from Syria, Kuwait, Jordan, Saudi Arabia, and Iran at a cost of about 50 cents per liter. The subsidized fuel is then sold for less than 5 cents per liter to Iraqi customers, at a cost of about \$2.0 billion a year to the Iraqi treasury.³⁰

Initial U.S. post-war reconstruction contracts in Iraq included two contracts for oilfield repairs funded through the Iraq Relief and Reconstruction Fund.³¹ The U.S.

²⁵ "Iraq Pipeline Watch." Institute for Analysis of Global Security, February 27, 2005

²⁶ Watkins, E. "U.S. to Deploy Airborne Snipers to Protect Iraqi Pipelines." *Oil and Gas Journal*, October 13, 2003.

²⁷ "Baghdad Plunges into Crisis as Vote Nears." *Oil Daily*, January 7, 2005.

²⁸ "Iraqi Oil Minister on Production, Security, Plan to Hand Over to Private Sector." *BBC Monitoring Middle East*, February 25, 2005.

²⁹ CRS Report RS21626, p. 2.

³⁰ CRS Report RS21626, *Iraq Oil: Reserves, Production, and Potential Revenues*, by Lawrence Kumins. "Iraq Readies Plan for Downstream Reform." *International Oil Daily*, March 4, 2005.

³¹ The Iraq Relief and Reconstruction Fund was established by the FY2003 Emergency (continued...)

Army Corps of Engineers awarded one contract for work on fields in the southern area of Iraq to Kellogg, Brown, and Root (minimum value \$500,000 — maximum value \$1.2 billion for the life of the contract), and one contract to Parsons Iraqi Joint Venture (minimum value \$500,000 — maximum value \$800 million). These contracts were issued to cover the cost of a range of services including extinguishing oil fires, environmental assessments and cleanup of oil sites, oil infrastructure condition assessments, engineering design and construction, oilfield pipeline and refinery maintenance, procurement and importation of fuel products, distribution of fuel products within Iraq, and technical assistance.³² Within the next six months, the Iraqi transitional government also plans to spend an additional \$500 million to supply its refineries with equipment, spare parts, and chemicals, and about \$900 million on projects including oil wells and pipelines.³³

According to U.S. government statistics, Iraq crude oil production averaged 2.26 million bpd in 2004, up from 1.33 million bpd in 2003, but below the Iraqi Oil Ministry's target of 2.5 million bpd. By month, Iraq's production of crude oil averaged 2.112 million bpd in August 2004, 2.514 million bpd in September, 2.46 million bpd in October, 1.95 million bpd in November, and 2.1 million bpd in December (see **Figure 3**).³⁴ 250,000-600,000 bpd of this amount has reportedly gone into the Iraqi domestic market (where it generated no revenue), or was lost due to pipeline sabotage, technical failures, and theft.³⁵ Oil Ministry officials estimate that revenue losses as a direct result of sabotage have amounted to \$8 billion since Operation Iraqi Freedom with \$6 billion in sabotage damage during 2004 alone, while total oil revenue from June 2003 through January 2005 has amounted to \$24.08 billion according to U.S. statistics.³⁶

³¹ (...continued)

Supplemental (P.L. 108-11). \$2.5 billion was appropriated in this law for reconstruction efforts.

³² "U.S. Army Corps of Engineers Awards Contracts for Repair of Iraq's Oil Infrastructure," U.S. Army Corps of Engineers, News Release No. PA-04-03, January 16, 2004.

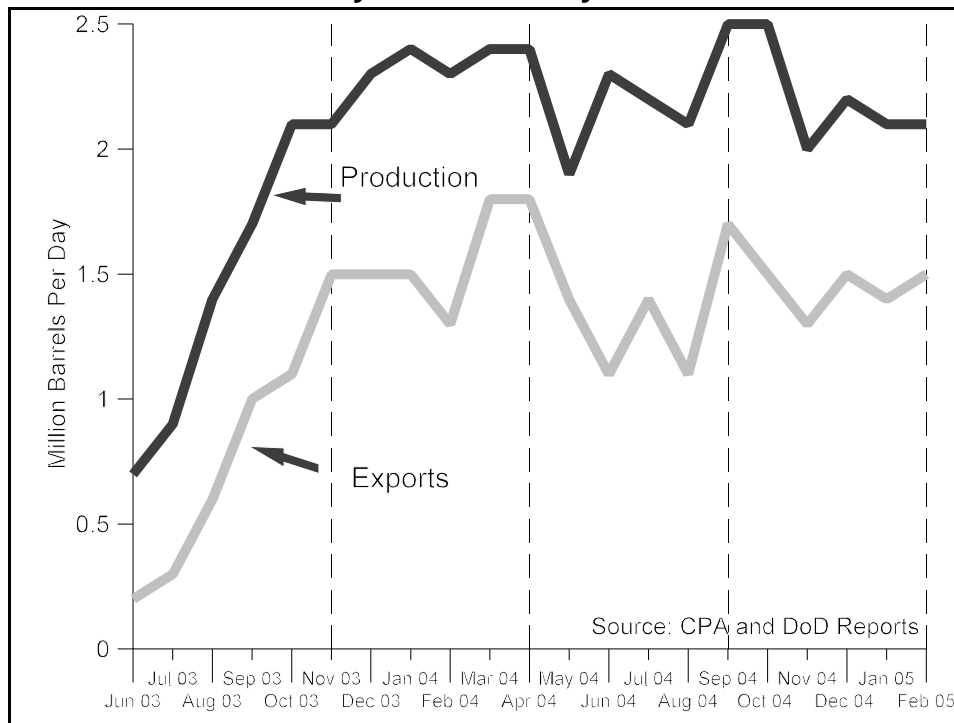
³³ "Iraq Postpones Negotiating Upstream Deals; Repairs are Priority," *Oil Daily*, July 16, 2004.

³⁴ U.S. Department of State, *Iraq Weekly Status Report*, various issues.

³⁵ "Iraqi Oil Output seen below capacity again in 2005," *Oil and Gas Journal*, February 14, 2005.

³⁶ *Ibid.*, and U.S. Department of State, *Iraq Weekly Status Report*, various issues. The time period cited is between June 2003 and mid-February 2005.

Figure 3. Iraq: Monthly Oil Production and Exports, May 2003-February 2005



Iraq's Imports

Prior to the implementation of economic 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, the year prior to the implementation of international sanctions.

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

Source: U.N. Trade Data. Nes= not elsewhere specified.

Figure 1 illustrates the flow of Iraq's imports from 1980-2003. 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 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 trade classification categories to hide exports of armaments and military hardware to Iraq.

Beginning in 1996, all approved imports to Iraq were monitored by U.N. staff, who reviewed all contracts and ensured that imported goods were on a list of commodities drafted by the U.N. Security Council. Besides food and humanitarian supplies, the OFF also allowed Iraq to import some transportation and communications equipment, spare parts for oil rigs and other infrastructure, and consumer goods. **Table 3** shows Iraq's cumulative imports by sector from 1997 to 2002 under the Oil-For-Food Program.

Table 3. 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.

Post-Saddam 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 the Saddam Hussein regime, 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 that have had almost no competition due to U.N. 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 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.³⁷ Despite these concerns, the private industry sector is reportedly experiencing a vibrant recovery according to U.S. officials. Domestic company registration (the equivalent of incorporation) has tripled to about 30 per day, and unofficial estimates indicate that private sector employment is growing to encompass between 25% and 50% of all jobs.³⁸ Nevertheless, overall unemployment remains very high, estimated at about 35%.³⁹

On September 19, 2003, the CPA established a reconstruction levy (CPA/ORD/19 September 2003/38) which, as of January 1, 2004, placed a 5% tariff on all imported goods except food, medicine and medical equipment, clothing, books, and goods delivered as humanitarian assistance. U.N. entities, the CPA, Coalition forces, nonprofit organizations, other international organizations, and foreign governments will be exempt from the levy. All proceeds are to be used to support Iraqi reconstruction efforts. According to U.S. Department of Commerce figures, Iraq collected over \$2.7 million in reconstruction levy fees between April 15, 2004, and June 4, 2004, implying that over \$54 million in non-exempt imports entered Iraq during the same time period.⁴⁰ Iraq's transitional government has kept the reconstruction levy in place.

³⁷ 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.

³⁸ Statements of Michael P. Fleischer, Former Director of the Private Sector Development, Coalition Provisional Authority at Iraq Private Sector Development Briefing, August 4, 2004.

³⁹ "Iraq: Current Situation." *Global Insight Country Report*, February 2, 2005.

⁴⁰ U.S. Department of Commerce, *Business Guide For Iraq* website, revised June 4, 2004, [http://www.export.gov/iraq/bus_climate/businessguide_current.html#exporting].

Illicit Trade

In the period during which economic sanctions were imposed, the regime of Saddam Hussein reportedly conducted illicit oil deals with its neighbors and other countries in order to generate funds that it could use without restriction. The regime also allegedly 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 2001.⁴¹

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 might be using these illicit revenues to purchase prohibited military and weapons-of-mass-destruction (WMD) technology. The GAO report also found, however, that the sanctions may have been partially effective in deterring Iraq from obtaining most conventional weapons.⁴²

In February 2000, the Clinton Administration accused the Iraqi government of using financial resources gained from illicit trade to build nine lavish palaces, valued at about \$2 billion.⁴³ The second Bush administration concluded that international sanctions were not effective, and accused Iraq of using illicit revenue to finance active nuclear, chemical, and biological weapons programs.⁴⁴

Post-Saddam Situation

Although illicit fuel smuggling by the Iraqi government ended after the war, individuals are now reportedly smuggling large amounts of fuel, apparently stimulated by lower oil prices in Iraq relative to world market prices. Some smugglers are reportedly drilling into pipes between the refinery and shipping terminals, according to Iraqi oil officials.⁴⁵ Others are purchasing fuel in Iraq, filling up larger trucks and cars fitted with extra fuel tanks, and driving across the border to

⁴¹ General Accounting Office. *Weapons of Mass Destruction: U.N. Confronts Significant Challenges in Implementing Sanctions against Iraq*, GAO Report Number GAO-02-625.

⁴² *Ibid.*, p. 6.

⁴³ Katz, L. M., "Iraq, U.S. Lock Horns Again." United Press International, February 10, 2000.

⁴⁴ "Iraq Making the Most of Porous Sanctions," *USA Today*, November 7, 2002. Rieff, D. "Were Sanctions Right?" *New York Times Magazine*, July 27, 2003.

⁴⁵ "Iraq Postpones Negotiating Upstream Deals; Repairs are Priority," *Oil Daily*, July 16, 2004.

Jordan where the subsidized fuel can be resold at more than ten times the cost.⁴⁶ The black market within Iraq is also reportedly thriving because drivers are willing to pay higher prices for fuel on the street rather than waiting in long lines at filling stations.⁴⁷

The Iraqi Oil Ministry has tried to stamp out the black market sales and fuel smuggling by monitoring practices at gas stations, restricting filling of jerry cans to three stations, and raising the pump price of fuel contained in jerry cans.⁴⁸ In addition, Iraqi authorities have largely given up on the domestic network of product pipelines, favoring the use of private tanker trucks operated by Sunni Arab truckers to ferry the fuel from its oil refineries in Baiji and Basra. This strategy has met with some success, in part because the use of Sunni Arabs gives locals in the Sunni triangle a financial stake in fuel imports, as well as apparently deterring insurgents.⁴⁹ These combined strategies have reportedly cut waiting times at filling stations down to 20 minutes or less.⁵⁰ Some observers also indicate that the Oil Ministry is formulating plans to gradually liberalize the domestic products market in an additional attempt to stifle fuel smuggling; however, any plans to increase gasoline prices must await the formation of a new transitional Iraqi government.⁵¹

Major Trading Partners

As is the case with most oil-producing countries, many of Iraq's leading pre-war export trading partners were industrialized nations. In the post-war environment, regional trading relationships, especially with Jordan and Morocco, have gained importance. Certain trading relationships established during the OFF period, such as imports from Vietnam, have also increased. In 2003 (latest available data), Iraq's top ten trading partners in terms of total trade were the United States, European Union, Turkey, Jordan, Brazil, Australia, Russia, Japan, and Australia. **Table 9** in provides trade statistics for Iraq's major trading partners from 2001-2003.

⁴⁶ Eckholm, Erik, "On Iraq's Border, Sailors of the Desert Smuggle Subsidized Gasoline," *New York Times*, August 21, 2004, page A7.

⁴⁷ "Watchdog Monitors Petrol Stations in Baghdad, 'Noticeable Improvement Seen'." *BBC Monitoring International Reports*, February 12, 2005.

⁴⁸ Ibid., and Hunter, Catherine, "Iraq Takes the Domestic Fuel Bull by the Horns; Raises Prices," *World Markets Analysis*, February 22, 2005.

⁴⁹ "Iraq Industry: Outsmarting the Fuel Saboteurs." *EIU Viewswire*, March 9, 2005.

⁵⁰ Ibid.

⁵¹ "Iraq Readies Plan for Downstream Reform." *International Oil Daily*, March 4, 2005.

Table 4. Iraq's Top 10 Export and Import Trading Partners, 2003

Exports (millions of U.S. \$)		Imports (millions of U.S. \$)	
United States	\$4,466.5	European Union	\$1146.3
EU15	\$1,571.5	Turkey	\$912.0
Canada	\$797.7	Jordan	\$596.8
Brazil	\$345.8	Vietnam	\$537.8
Jordan	340.6	United States	\$347.2
Turkey	\$102.4	Russia	\$183.9
Japan	\$99.5	Australia	\$178.8
Korea	\$52.1	Thailand	\$121.8
Japan	\$99.5	India	\$114.5
South Africa	\$32.0	Egypt	\$114.5

Source: International Monetary Fund, Direction of Trade Statistics. Latest third-party trade data available.

Pre-War International Interests

Despite economic sanctions, 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 may lose as much as \$2.5 billion if contracts signed with the regime of Saddam Hussein fall through.⁵²

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.⁵³

Russia and Iraq have signed numerous oil and gas agreements since 1997. Russian firms had not started work on these projects, however, even though U.N. officials had approved some of the contracts. Iraq's oil ministry officials expressed

⁵² 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.

⁵³ Feifer, G. "Russia: Proposed Economic Agreement with Iraq Raising Questions." Radio Free Europe/Radio Liberty, August 19, 2002.

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.⁵⁴ 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.⁵⁵ Russian oil companies continue to have an interest in bidding on oil contracts in Iraq, and are maintaining their contacts with the Iraqi oil ministry to that end.

France. Iraq was an important market for French goods, especially in the capital goods, automotive, and food processing sectors. Other pre-war French exports to 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.⁵⁶ Over 90 French companies attended Baghdad's annual trade fair held the following November.⁵⁷

French oil companies also maintained cordial relations with Iraq's oil officials.⁵⁸ 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%.⁵⁹

United States. The United States continues to be the leading importer of Iraq's oil. Some in the international community believed that U.S. needs for continuous supplies of oil at lower cost and the involvement of U.S. oil interests in Iraq played a part in leading the United States to wage war against the Hussein regime. As early as 1997, nine U.S. oil companies, including Mobil, Conoco, Chevron, Occidental, Arco, Exxon, Texaco, Coastal, and Amoco, reportedly

⁵⁴ *Business Middle East*, Economist Intelligence Unit (EIU), January 16, 2003.

⁵⁵ "Focus: Oilfields Could Slip Out of Russia's Reach," *Petroleum Economist*, February 10, 2003.

⁵⁶ Bostnavaron, F. "France Remains Iraq's Leading European Trading Partner." *Le Monde*, September 13, 2002.

⁵⁷ "Over 90 Companies Going to Baghdad Trade Fair — Iraqi Official," *Agence France Presse*, October 29, 2002.

⁵⁸ Sluglett, M. & Sluglett, P. *Iraq Since 1958: From Revolution to Dictatorship*. New York: KAI Limited, 1987, p. 288.

⁵⁹ Marcel, Valerie, *The Future of Oil in Iraq: Scenarios and Implications*, The Royal Institute of International Affairs, Briefing Paper No. 5, October 2002, p. 7 [<http://www.riia.org>].

contacted Iraq to express interest in developing Iraqi oil fields once sanctions were lifted.⁶⁰

Some international observers were also concerned that the initial Iraq reconstruction contracts favored U.S. companies. Two American companies, Kellogg Brown and Root (KBR), and Parsons, were the primary companies initially selected for key reconstruction projects specifically related to oil development.⁶¹ The selection of these companies and other U.S. contractors for reconstruction contracts led to questions concerning the degree to which subsequent contracts would be open to a competitive bidding process.⁶²

All of Iraq's oil assets are now controlled by the interim government. Some analysts still express concern, however, that an Iraqi government sensitive to U.S. interests may favor American companies when issuing future contracts for oilfield development. The government's creation of a supreme council to establish a comprehensive oil policy, combined with the desire of the oil ministry to "achieve the highest revenue possible" may indicate that, to the extent the Iraqi government focused on long-term contracts at this time, it is intent on keeping its options open with regard to future contract awards.⁶³

Table 5 in Appendix B illustrates major U.S. imports from Iraq in 2003 and 2004. **Table 6** shows the top U.S. exports to Iraq for the same time period.

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 OFF prior to the war was a concern for Vietnamese officials until U.N. approval to resume shipments was given in early May 2003.⁶⁴ **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.⁶⁵ **Thailand** signed a bilateral trade and investment cooperation agreement with Baghdad in January 2002. Thailand's pre-war exports

⁶⁰ "Oil, Business, and the Future of Iraqi Sanctions." *PolicyWatch* No. 283, Washington Institute for Near East Policy, November 24, 1997.

⁶¹ "Another Contract in Place to Continue Construction in Iraq," Coalition Provisional Authority News Release, April 2, 2004 [<http://www.rebuilding-iraq.net>].

⁶² See CRS Report RL32229, *Iraq: Frequently Asked Questions About Contracting*, by Valerie Bailey Grasso.

⁶³ "Iraq Creates Supreme Council to Oversee Oil and Gas Industry," *Oil Daily*, July 19, 2004.

⁶⁴ "Vietnam Resumes Rice Exports to Iraq," *Financial Times Information*. Vietnam News Briefs. May 5, 2003.

⁶⁵ "Taiwan Expresses Interest in Securing Iraq Contracts," *Asia Pulse*, April 21, 2003.

to Iraq included rice and consumer products, and Thai officials expressed a desire for deeper trade ties once U.N. sanctions were lifted.⁶⁶

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 of sanctions.⁶⁷ **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.⁶⁸ 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 2003.⁶⁹

Post-Saddam Trade and Investment Prospects

The current security situation, combined with uncertainties surrounding Iraq's stability following the transfer of power to a transitional government, has reportedly cooled the interest of some major foreign oil companies to tap Iraq's undeveloped oil reserves, at least in the short term. According to John Browne, BP's chief executive, "Iraq is not on anyone's radar screens right now."⁷⁰ Although Browne said that BP would "obviously" be interested in working in Iraq's upstream eventually, he said "our own view is that you really do have to have to see a government in power for some time, who has made up their mind about what they want a state oil company to do and what, if any, role the foreign oil companies should take."⁷¹

Despite the CEO's comments, BP reportedly joined with other major European oil firms (Royal Dutch/Shell, Eni, and Repsol) and several smaller firms in placing bids for a smaller scale (\$10 million) Iraqi government contract to study oil reserves in the Kirkuk and Rumaila fields and develop a detailed plan on how to best exploit them. A contract of this size would not normally be attractive to these oil majors, but in this case, it may be viewed as a way to examine Iraq's oilfield data and establish a rapport with members of the country's oil ministry while incurring minimal risk.⁷² Other oil majors, such as ChevronTexaco, are reportedly providing free upstream

⁶⁶ "Iraq-Thailand Trade Looks Promising if U.N. Ends Sanctions," *Emerging Markets Datafile*, Xinhua News Agency, January 12, 2002.

⁶⁷ "China Adopts Cautious Approach to Iraqi Oil," *Oil Daily*, December 17, 2002.

⁶⁸ Marcel, Valerie, *The Future of Oil in Iraq: Scenarios and Implications*, The Royal Institute of International Affairs, Briefing Paper No. 5, October 2002, p. 7 [<http://www.riia.org>].

⁶⁹ "Itochu Signs Iraqi Crude Oil Contract," *Japan Economic Newswire*, August 15, 2003.

⁷⁰ "Iraq: Squaring Up to Old Challenges." *Petroleum Economist*, August 6, 2004.

⁷¹ "BP Sees No Rush to Join Iraqi Upstream." *Platt's Oilgram News*, June 28, 2004.

⁷² "BP and Shell Signal First Interest in Iraqi Oil Fields." *The Business*, August 22, 2004.

technical assistance and training local engineers and oil specialists.⁷³ In these and other ways, the major oil companies seem to be positioning themselves for future contracts.⁷⁴ Observers report that the current indifference of the major oil companies is leaving room for smaller companies, including Woodside Energy (Australia), Heritage Oil (Canada), and Petrel Resources (United Kingdom), to take an active role in exploration and development projects.⁷⁵

U.S. Economic and Trade Policy

Many in Congress and the Bush Administration believe that one of the hallmarks of success in post-Saddam Iraq will be the rejuvenation and redevelopment of Iraq's economy. In addition, the 9/11 Commission recommended that U.S. efforts to counter terrorism "should include economic policies that encourage development." The Commission mentioned Iraq as a specific example, saying that if "Iraq becomes a failed state, it will go to the top of the list of places that are breeding grounds for terrorism at home."⁷⁶ Many agree that rebuilding Iraq's economy is a compelling U.S. national interest.

At this time, the most significant threats to economic redevelopment are concerns about the internal security environment due to ongoing insurgency, the viability of Iraq's transitional government, and the continuing progress of its transition to democracy. Some observers are also concerned that a future permanent government of Iraq may repeal some of the CPA-established laws that favor business development, such as laws that currently permit foreign investment and repatriation of capital.

The Bush Administration has begun the process of normalizing trade relations with Iraq and on September 7, 2004, designated Iraq as a beneficiary developing country under the Generalized System of Preferences.

Current State of Iraq's Economy

Although many larger U.S. and multinational businesses not working in Iraq on U.S. government reconstruction contracts are taking a "wait and see" approach toward investing in the country, the Iraqi economy is reportedly growing at a rapid pace despite persistent security and stability concerns. The Economist Intelligence Unit (EIU) estimated that Iraq's real gross domestic product (GDP) contracted by 21.8% in 2003 due to the war, but estimated GDP growth of 40.3% in 2004. EIU

⁷³ "Iraq; Snuggling-Up Time." *Petroleum Economist*, December 3, 2004.

⁷⁴ *Ibid.*

⁷⁵ "News in Brief" section, *Petroleum Economist*, February 8, 2005.

⁷⁶ *National Commission on Terrorist Attacks Upon the United States*, Final Report, July 22, 2004., p. 367.

forecasts real GDP growth of 15.0% in 2005, and 10% in 2006.⁷⁷ Much of the current economic growth is reportedly due to the U.S.-appropriated funds allocated to reconstruction of Iraq's infrastructure being pumped into the economy. The EIU projections are based on modest increases in oil production and exports along with continuing stimulus from international aid money.⁷⁸ The Iraq Project and Contracting Office (PCO, formerly the Program Management Office under the Coalition Provisional Authority) estimates that between 250 and 300 Iraqi firms are working on reconstruction contracts and that 87,500 Iraqi employees are affiliated with the PCO.⁷⁹

The Bush Administration is also currently attempting to attract smaller and medium-sized U.S. businesses to invest in Iraq despite security and stability concerns. Although most major business opportunities still involve work on U.S.-funded reconstruction contracts, efforts are also being made to facilitate U.S. business contacts with Iraqi government ministries and to assist businesses in exploring private sector investment and export possibilities.⁸⁰

Some analysts note that despite the success of the election conducted on January 30, 2005, the outcome may do little to end the disaffection of the Sunni minority, despite efforts to include them. Thus, the insurgency is likely to continue to pose a threat to the political and economic reconstruction of Iraq.⁸¹

Despite security threats and continued economic hardship, many Iraqis remain optimistic about their future according to public opinion surveys. A poll taken from September 24 - October 4, 2005 showed that 65% expect their lives to get better in the near future.⁸² The following anecdotal information is also an indicator that public perception of the economy is optimistic:

- Consumer spending on imported goods is boosting economic activity as these goods have become more available and more affordable since the end of economic sanctions. There has also reportedly been a boom in real estate.⁸³

⁷⁷ "Iraq: Risk Ratings: Economic Forecast Summary" *EIU Country Risk Service*, Economist Intelligence Unit, August 1, 2004, February 10, 2005. EIU bases these figures on a 60% chance that a stable, sovereign government will be achieved which will, in turn, alleviate some security concerns.

⁷⁸ Abolfathi, Farid, "Iraq: Current Situation," *Global Insight*, August 25, 2004.

⁷⁹ Web Page of the Iraq Project and Contracting Office, [<http://www.rebuilding-iraq.net>].

⁸⁰ Department of Commerce. Iraq Investment and Reconstruction Task Force. Iraqi Private Sector Development Briefing, August 4, 2004. A webcast of the briefing is available at [<http://www.export.gov/iraq/other/iraqreconstruction080404.wmv>].

⁸¹ "Iraq: Country Outlook." *EIU ViewsWire*, February 10, 2005.

⁸² Iraq country report by *Global Insight*, November 2004.

⁸³ Abolfathi, Farid, "Iraq: Current Situation, *Global Insight*, August 25, 2004.

- The exchange rate of the Iraqi dinar has strengthened in recent weeks following the completion of the election process. Official data indicates that the average rate of exchange of the New Iraqi Dinar (NID) was NID 453 to \$1.00 U.S. in 2004. According to EIU forecasts, the dinar is expected to strengthen to an average of NID 430 to the dollar in 2005, and will appreciate further in 2006 to about NID 200 to the dollar in 2006.⁸⁴
- The Iraqi central bank has built up \$5 billion in currency transactions since the introduction of the New Iraqi Dinar which it has deposited in the U.S. Federal Reserve.⁸⁵ This could indicate that individuals are purchasing dinars with dollars they had put aside in the event of economic instability, and that businesses and individuals from outside Iraq are continuing to invest in the Iraqi economy.
- Private sector business development, funded by resident business capital and repatriation of funds from Iraqis living overseas, is making significant progress. As many as 20,000 private sector businesses have been officially registered in Iraq since April 2003.⁸⁶
- The Second International Trade Exhibition for the Rebuilding of Iraq, “Rebuild Iraq 2005” scheduled for April 4-7, 2005, in Amman, Jordan has already registered more than 1000 exhibitors from over 42 countries.⁸⁷ This may indicate substantial private sector interest in engaging in business investment in Iraq.

Exim Bank and OPIC Facilitation. Although the Export-Import Bank (Exim Bank) of the United States is not currently providing companies interested in investing in Iraq with its usual trade financing products, the bank’s directors approved a \$500 million short-term insurance facility to support transactions through the Trade Bank of Iraq (TBI).⁸⁸ The Exim Bank will insure letters of credit issued by TBI and confirmed by a commercial bank against the failure of TBI to pay the confirming bank under an irrevocable letter of credit. The Exim Bank further provides comprehensive coverage on short term credits extended to TBI by an insured bank. U.S. exporters will receive payment under letters of credit issued by the insured bank. The Exim Bank will also consider applications under all of its products (e.g., working capital guarantee, loan guarantee, export credit insurance, and

⁸⁴ “Iraq: Country Outlook.” *EIU ViewsWire*, February 10, 2005.

⁸⁵ “Iraq Deposits Five Billion Dollars with U.S. Federal Reserve.” *Agence France Presse*, February 8, 2005.

⁸⁶ Cambanis, Thanassis, “In Land of Fear, Hope Takes Root.” *Boston Globe*, March 20, 2005.

⁸⁷ Rebuild Iraq 2005 home page, [<http://www.rebuild-iraq-expo.com/>].

⁸⁸ “EX-IM Bank, Iraqis Sign Trade Financing Agreement.” Export-Import Bank Press Release, October 5, 2004. The framework agreement, originally signed in December 2003, was amended and continued on October 5, 2004 to reflect the assumption of sovereignty by the Interim Government of Iraq on June 30, 2004.

direct loans) to support the sale of goods and services to Iraq, provided there is a creditworthy source in a third country in the Middle East or elsewhere willing to provide security for the loans.⁸⁹

Political risk insurance is being made available through the Overseas Private Investment Corporation (OPIC) to cover currency inconvertibility, expropriation, and political violence. Coverage is also offered that is more appropriate to contractors, exporters, and those providing technical assistance and management services. Stand-alone terrorism coverage is also being provided.⁹⁰ In addition, OPIC has joined with Citigroup to establish a \$131 million lending facility designed to revitalize small and medium-sized businesses in Iraq. Loans will be provided to Iraqi financial institutions, who will in turn lend the funds to Iraqi enterprises to fund their investment and working capital requirements.⁹¹

Normalizing Trade Relations

The Bush Administration, as authorized by Congress, has lifted most U.S. sanctions on Iraq, beginning with Presidential Determination 2003-18 of March 24, 2003, in which the President determined that “the provision of assistance or other financing for Iraq important to the national security interests of the United States.”⁹²

On May 7, 2003, the President suspended the Iraq Sanctions Act of 1990 (P.L. 101-513, implemented U.S. trade embargo and U.S. compliance of U.N. economic sanctions against Iraq), as authorized by sec.1503 of the Emergency Wartime Supplemental Act, 2003 (P.L. 108-11).⁹³

On July 29, 2004, in Executive Order 13350, the President terminated the emergency with respect to Iraq previously declared in Executive Order 12722,⁹⁴ determining that the situation that gave rise to the declaration of a national emergency under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq) and the National Emergencies Act (50 U.S.C. 1501 et seq) has been significantly altered by the removal of the regime of Saddam Hussein.⁹⁵ The

⁸⁹ “Export-Import Bank Support for U.S. Exports to Iraq,” Export-Import Bank Fact Sheet, December 2003.

⁹⁰ U.S. Department of Commerce. “Doing Business in Iraq,” Iraq Investment and Reconstruction Task Force web page, [http://www.export.gov/iraq/bus_climate/faq.html].

⁹¹ “OPIC and Citigroup Establish Lending Facility to Revive SMEs in Iraq.” Overseas Private Investment Corporation. Press Release, March 16, 2005. [<http://www.opic.gov>].

⁹² Presidential Determination No. 2003-18 of March 24, 2003 (68 F.R. 16165), as authorized by sec. 507 of P.L. 108-7, the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2003.

⁹³ Presidential Determination No. 2003-23 (68 F.R. 26459), May 7, 2003.

⁹⁴ Executive Order 12722 of August 2, 1990, “Blocking Government Property and Prohibiting Transactions with Iraq,” 55 F.R. 31803.

⁹⁵ Executive Order No. 13350 (69 F.R. 46055), July 29, 2004. The executive order revoked
(continued...)

termination of the national emergency formally ended the economic sanctions imposed by the United States on Iraq following the 1990 invasion of Kuwait.

A national emergency still exists with respect to protecting the Development Fund for Iraq (DFI) and Iraq's petroleum assets, and blocking property of the former regime. Executive Order 13303 (May 22, 2003), as amended, protects the Development Fund for Iraq (DFI), Iraqi petroleum and petroleum products from "the threat of attachment or other judicial process."⁹⁶ The President found that such judicial processes would constitute an unusual and extraordinary threat to the national security and foreign policy of the United States.

Executive Order 13315 of August 18, 2003, blocking the property of the former regime and certain senior officials under the same presidential authority, is also still in effect. The executive order also authorizes the confiscation and repatriation of additional property of the former regime, or the property immediate family members of officials, and controlled entities, and designates that these properties be transferred to the Development Fund for Iraq.⁹⁷

On October 7, 2004, Iraq was removed from U.S. list of state sponsors of terrorism.⁹⁸ Countries on this list are barred from receiving U.S. foreign assistance, votes by U.S. representatives in favor of international loans, sales of munitions list (arms and related equipment and services), and stiffer licensing procedures for exports of dual-use items (commodities that may have military as well as civilian applications).

Congress did not authorize the lifting of sanctions on sales of "advanced conventional weapons," however, it did allow the President to authorize exports of nonlethal military equipment.⁹⁹ However, any nonlethal or lethal military equipment specifically designated by the Secretary of State for use by a reconstituted (or interim) Iraqi military or police force, and small arms designated for use for private security purposes, are authorized.¹⁰⁰ New regulations shifting the remaining restrictions on

⁹⁵ (...continued)

Executive Order 12722 of August 2, 1990, and modified Executive Orders 13290, 13303, and 13315.

⁹⁶ Executive Order No. 13303 (68 F.R. 31931), May 22, 2003. Amended by Executive Order 13364 (69F.R. 70177), December 2, 2004.

⁹⁷ Executive Order No. 13315 (68 F.R. 52315), August 18, 2003.

⁹⁸ Department of State Public Notice 4863 (69 F.R. 61702); Presidential Determination No. 2004-52 (69 F.R. 58793).

⁹⁹ Section 1608(1)(A) of the Iraq-Iran Non-Proliferation Act (P.L. 102-484) defines these as long-range precision-guided munitions, fuel air explosives, cruise missiles, low observability aircraft, military satellites, electromagnetic weapons, and laser weapons as the President determines destabilize the military balance or enhance defense capabilities in destabilizing ways."

¹⁰⁰ Pursuant to Sec. 1504 of Public Law 108-11, as amended by sec. 2205 of P.L. 108-106. The President must notify the applicable Congressional committees that the export of this (continued...)

transactions with Iraq from the Department of the Treasury to the Department of Commerce were issued on July 30, 2004.¹⁰¹

Generalized System of Preferences

On September 7, 2004, the President designated Iraq as a beneficiary developing country for purposes of the generalized system of preferences (GSP), effective September 22, 2004.¹⁰² U.S. imports GSP beneficiary countries receive preferential treatment — low or zero duties for designated products.

Eligibility criteria for Presidential designation of GSP status is outlined in sections 502(b)(2) and 502(c) of the Trade Act of 1974.¹⁰³ The President is directed to take into account the level of economic development of the country, its commitment to a liberal trade policy, the extent to which it provides adequate protection of intellectual property rights, and its observance of internationally recognized workers rights. The law prohibits (with certain exceptions) the President from extending GSP treatment to other industrial countries, Communist countries, countries that provide preferential treatment to the products of a developed country, and countries that nationalize or expropriate the property of U.S. citizens, or otherwise infringe on the property rights of U.S. citizens. The Trade Act of 1974 also restricts the President's discretion in designating eligible products. It lists categories of import-sensitive products — certain textile and apparel products, watches, electronic articles, steel products, footwear, glass products, and other items — that are not eligible for GSP treatment. In addition, the act establishes “competitive need limits,” which require the President to suspend GSP treatment when U.S. imports of a product from a single country reach a specified threshold value or when 50% of total U.S. imports of the product come from a single country.¹⁰⁴

Conclusion

Iraq's economic involvement in the world market, largely dependent on oil exports, varied dramatically during the regime of Saddam Hussein. Trading patterns have seemed to reflect the domestic situation in the country, from the Iran-Iraq war in the 1980s, to the invasion of Kuwait and the subsequent imposition of international economic sanctions.

Currently, Iraq's economic future is dependent on its ability to draw on its vast oil resources. These efforts are being hindered due to continued sabotage of oil pipelines and the weakened state of Iraq's oil infrastructure, which had been allowed

¹⁰⁰ (...continued)

equipment is in the national interest within five days prior to export.

¹⁰¹ 69 F.R. 46090.

¹⁰² Proclamation 7808 of September 7, 2004, 69 F.R. 54739.

¹⁰³ 19 U.S.C. 2462(b)(2) and 2462(c).

¹⁰⁴ CRS Report 97-389, *Generalized System of Preferences*, by William H. Cooper.

to deteriorate during the Hussein regime. Despite concerns over the continued insurgent activity and the stability of Iraq's interim government which have deterred most long-term foreign investment, Iraq's domestic economy is reportedly booming. The economic resurgence is brought about, in part, by U.S. appropriated funds being spent on reconstruction contracts in the country, and by pent-up demand brought about during economic sanctions and economic repression during the Hussein regime.

The United States has lifted most economic sanctions on Iraq, and the President has designated Iraq as a beneficiary developing country under the Generalized System of Preferences. Bush Administration officials have stated that Iraq's stability is a compelling national interest for the United States, and have expressed commitment to helping the country develop politically and economically.

Appendix: Trade Tables

Table 5. Top U.S. Imports from Iraq, 2002 - 2004
(General Imports, Customs Value, Actual U.S. dollars)

HTS	Category Description	2002	2003	2004
2709	Petroleum oils and oils from bituminous minerals, crude	\$3,590,343,217	\$4,561,534,495	\$8,352,349,051
9801	U.S. goods returned without having been advanced	0	\$983,226	\$76,697,471
9999	Salvage; Low value transactions	0	0	\$70,475,431
2710	Petroleum oils and oils from bituminous minerals, other than crude	\$2,427,889	\$11,274,000	\$11,759,452
4907	Unused postage, bank notes, stamp-imposed paper, check forms, etc.	0	0	\$927,432
1302	Vegetable saps and extracts	0	\$30,756	\$922,823
9014	Direction finding compasses	0	0	\$751,862
9706	Antiques of an age exceeding 100 years	0	0	\$452,456
8529	Parts for television and radar apparatus	0	0	\$64,730
8537	Circuit board panels	0	0	\$19,331

Source: International Trade Commission Trade Dataweb, [<http://www.usitc.gov>].

Table 6. Major U.S. Exports to Iraq, 2002 - 2004
(Total Exports, FAS Value, Actual U.S. dollars)

HTS	Commodity Description	2002	2003	2004
8502	Electric generating sets and rotary converters	0	\$96,057,983	\$107,751,904
8702	Public transport-type passenger motor vehicles	0	\$8,500	\$67,935,636
1001	Wheat and Meslin	0	\$9,341,992	\$50,763,507
8703	Motor cars and motor vehicles	0	\$2,135,976	\$46,858,925
8471	Automatic data processing machines	0	\$2,331,481	\$45,981,621
8525	Transmission apparatus	\$187,245	\$2,057,530	\$42,567,203
8503	Parts of electric motors	0	\$22,000	\$38,679,926
8803	Parts of balloons, aircraft	0	\$5,266,034	\$25,459,181
8705	Special purpose motor vehicles, including cranes	\$1,005,350	\$3,375,545	\$21,186,012
8411	Turbojets, turbo propellers and other gas turbines, etc.	\$129,335	\$82,489,561	\$17,179,905
207	Poultry meat, fresh, chilled, or frozen	0	\$263,304	\$15,888,522
8421	Centrifuges	\$19,850	\$838,965	\$14,260,989
8529	Parts for television, radio, and radar apparatus	\$114,449	\$1,303,668	\$13,992,120
8424	Mechanical appliances for spraying	\$3,461,155	\$75,341	\$13,002,866
8708	Parts and accessories for tractors, public transport vehicles, cars	0	\$364,020	\$12,803,429
8517	Telephone electrical apparatus	0	\$1,232,366	\$11,395,473
9880	Low value export shipments	0	0	\$11,136,037
8473	Parts and accessories for office machines	0	\$594,691	\$11,020,088
8704	Motor vehicles for transporting goods	\$1,156,566	\$37,773	\$10,749,297
9027	Instruments and apparatus for chemical measurements	\$178,373	\$355,673	\$9,824,269
8479	Machines and mechanical apparatus	\$6,997,342	\$204,444	\$9,800,488
8406	Steam turbines and parts	\$64,234	\$11,106	\$8,743,729
9014	Direction finding compasses and other navigational equipment	0	\$4,365	\$8,337,291
9018	Medical, surgical, and veterinary	0	\$619,075	\$8,045,062

HTS	Commodity Description	2002	2003	2004
	instruments			
9801	Exports of articles returned for repairs	0	\$7,150	\$7,942,279
8534	Printed circuits	0	\$30,000	\$7,794,688
8481	Taps, cocks, valves, etc.	\$12,466	\$283,901	\$7,187,348
8426	Ship's derricks, cranes, lifting apparatus	0	\$195,000	\$7,161,561
8431	Parts and accessories for ship's derricks, cranes, lifting apparatus	\$11,591,111	\$34,093	\$5,986,052
9802	Exports of articles donated to relief or charity	0	\$10,443,356	\$5,479,938

Source: International Trade Commission Trade Dataweb, [<http://www.usitc.gov>].

Table 7. Iraq: Top 30 World Import Commodities, 2001-2003
(SITC Rev 3 Commodities, Actual U.S. dollars)

Code and Description	2001	2002	2003
7165 — ELECTRIC GENERATING SETS	\$148,858,446	\$59,167,987	\$182,659,894
8110 — PREFABRICATED BUILDINGS	\$762,018	\$1,764,281	\$118,823,759
0222 — MILK AND CREAM, CONCENTRATED OR SWEETENED	\$74,941,293	\$201,242,185	\$109,268,163
0423 — RICE, MILLED WHETHER POLISH/GLAZE/PAR BOIL (BROKEN	\$75,449,752	\$7,118,830	\$108,221,023
7812 — MOTOR VEHICLES FOR THE TRANSPORT OF PERSONS, NES	\$178,204,812	\$281,818,478	\$102,773,867
8722 — INST & APPLS, MEDICAL, INCLD SIGHT TESTING	\$70,974,427	\$54,679,017	\$101,984,620
3442 — GASEOUS HYDROCARBONS, LIQUEFIED, N.E.S	\$0	\$0	\$97,131,423
0542 — LEGUMINOUS VEGETABLES, DRIED, SHELLED	\$22,314,426	\$12,017,883	\$88,524,341
5429 — MEDICAMENTS, N.E.S.	\$64,868,947	\$93,601,201	\$83,152,717
7149 — PARTS OF TURBOJET ENGINES & GAS TURBINES N.E.S.	\$38,231,101	\$17,002,923	\$74,977,043
0612 — CANE/BEET SUGAR NES, CHEM PURE SUCROSE, SOLID FORM	\$29,298,205	\$91,320,851	\$68,764,215
7148 — GAS TURBINES, N.E.S.	\$34,340,823	\$7,292,876	\$65,900,007
6612 — PORTLAND CEMENT ALUMINOUS, SLAG, SUPERSULPHATE ETC	\$3,107,379	\$2,460,226	\$65,659,748
4312 — ANIMAL OR VEG FATS, OILS, FRACTIONS HYDRGENATD ETC	\$66,205,606	\$99,575,443	\$61,387,598
0910 — MARGARINE;EDIBLE PREPS & MIXTURES OF ANIMAL FATS	\$51,748,336	\$28,693,559	\$52,911,427
5542 — ORGANIC SURF-ACT AGENTS NES, AND PREPARATIONS NES	\$26,145,722	\$50,656,073	\$51,251,265
6911 — METAL STRUCTURES & PARTS NES, OF IRON OR STEEL	\$27,654,728	\$62,702,191	\$47,636,575

Code and Description	2001	2002	2003
7821 — MOTOR VEHICLES FOR THE TRANSPORT OF GOODS	\$214,686,142	\$343,556,861	\$47,558,590
7742 — APPARATUS BASED ON USE OF X-RAYS, ETC	\$19,074,034	\$25,525,578	\$44,857,775
7611 — TELEVISION RECEIVERS, COLOR	\$1,711,168	\$4,946,487	\$44,241,366
1110 — NONALCOHOLIC BEVERAGES, N.E.S.	\$1,256,554	\$1,610,984	\$43,686,386
7752 — HOUSEHLD TYPE REFRIGERATORS & FOOD FREEZERS	\$1,178,206	\$1,444,553	\$42,211,895
1223 — TOB. MFG (INCL SMKG/CHEWING) NES; EXTRACTS/ESSENCE	\$21,263,271	\$35,565,265	\$41,751,000
0989 — FOOD PREPARATIONS, N.E.S.	\$36,375,723	\$36,208,563	\$40,286,620
7429 — PARTS OF PUMPS FOR LIQUIDS & LIQUID ELEVATORS	\$45,158,907	\$20,169,165	\$37,051,259
6595 — TEXTILE FLOOR COVERINGS, WOVEN NES, MADE-UP OR NOT	\$7,426,557	\$14,222,196	\$35,181,510
4211 — SOYBEAN OIL AND ITS FRACTIONS	\$616,197	\$566,931	\$35,113,732
7731 — INSULATED WIRE, CABLE; OPTICAL FIBER CABLES	\$63,798,599	\$34,385,649	\$32,353,900
0567 — VEGETABLES, PREPARED OR PRESERVED, N.E.S	\$6,418,127	\$3,950,192	\$30,371,933
7163 — EL MOTORS EXCEEDING 37.5 W & GENERATORS, AC	\$28,838,209	\$19,886,885	\$30,085,254

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

Table 8. Iraq: Top 30 World Export Commodities, 2001-2003
(SITC Rev 3 Commodities, Actual U.S. dollars)

Code And Description	2001	2002	2003
3330 — CRUDE OIL FROM PETROLEUM OR BITUMINOUS MINERALS	\$11,597,693,861	\$8,720,575,180	\$7,534,592,692
2882 — NONFERROUS BASE METAL WASTE & SCRAP NES	\$6,912,004	\$3,813,330	\$50,184,817
6821 — COPPER, REFIN OR NOT; COPPER ANODES; COP ALLOY UNW	\$0	\$21,423	\$20,785,766
7232 — MECHANICAL SHOVELS, EXCAVATORS, ETC, SELF-PROPELLD	\$0	\$459,486	\$16,964,738
6841 — ALUMINUM AND ALUMINUM ALLOYS, UNWROUGHT	\$0	\$0	\$12,346,538
0411 — DURUM WHEAT, UNMILLED	\$2,398,952	\$2,625,597	\$9,744,215
0430 — BARLEY, UNMILLED	\$19,833,983	\$23,397,853	\$8,921,455
2823 — FERROUS WASTE & SCRAP, EXC CAST IRON & ALLOY STEEL	\$157,899	\$215,830	\$7,753,423
2631 — COTTON (OTHER THAN LINTERS), NOT CARDED OR COMBED	\$86,402	\$0	\$5,762,946
3431 — NATURAL GAS, LIQUEFIED	\$17,951,832	\$22,206,392	\$4,974,633
0412 — WHEAT (INCLUDING SPELT) AND MESLIN, UNMILLED, NES	\$0	\$0	\$4,048,839
0449 — MAIZE (NOT INCLUDING SWEET CORN) UNMILLED, NO SEED	\$0	\$22,781	\$3,147,873
5621 — MINERAL OR CHEMICAL FERTILIZERS, NITROGENOUS	\$1,584,257	\$1,266,592	\$2,541,929
7822 — SPEC PUR MTR VEHICLES, OTH THN FOR TRANSPT OF PERS	\$0	\$0	\$2,497,358
6842 — ALUMINUM AND ALUMINUM ALLOYS, WORKED	\$9,283	\$0	\$1,870,756
1223 — TOB. MFG (INCL	\$358,473	\$1,169,856	\$1,841,135

Code And Description	2001	2002	2003
SMKG/CHEWING) NES; EXTRACTS/ESSENCE			
7231 — BULLDOZRS, ANGLEDZRS, GRADRS & LEVELRS, SELF-PROP	\$507,266	\$430,454	\$1,494,396
9310 — SPECIAL TRANSACTIONS & COMMOD NOT CLASSIF BY KIND	\$107,701	\$749,762	\$1,291,292
6724 — IRON (UNDER 99.94% PURE) & STEEL IN PRIMARY FORMS	\$0	\$0	\$1,246,157
0811 — HAY AND FODDER, GREEN OR DRY	\$4,227,218	\$3,353,683	\$1,129,138
7224 — WHEELED TRACTORS, N.E.S.	\$12,128	\$163,182	\$1,005,550
0542 — LEGUMINOUS VEGETABLES, DRIED, SHELLED	\$2,105,398	\$940,994	\$996,073
7441 — WORKS TRUCKS; TRACTORS; PTS N.E.S.	\$18,305	\$0	\$990,662
7239 — PARTS, N.E.S., CIVIL ENGINEERING ETC EQUIPMENT	\$220,565	\$935,011	\$873,644
0579 — FRUIT, FRESH OR DRIED, N.E.S.	\$1,416,271	\$2,228,783	\$831,492
7165 — ELECTRIC GENERATING SETS	\$0	\$0	\$748,589
7431 — AIR OR VACUUM PUMPS, COMPRESSORS, VENTILATNG PUMPS	\$26,317	\$450,395	\$734,044
7233 — MOVING, GRADING, LEVELING ETC MACH FOR EARTH ETC	\$0	\$0	\$595,561
0423 — RICE, MILLED WHETHER POLISH/GLAZE/PAR BOIL (BROKEN	\$582,907	\$100,418	\$441,074
7843 — PTS & ACCESS OF TRACTOR, MTR VEH, SPEC PURPSE, NES	\$39,258	\$165,742	\$420,091
7423 — CONCRETE PUMPS	\$5,507	\$168,621	\$411,211

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

Table 9. Iraq's Major Trading Partners, 2001-2003
(in Actual U.S. dollars)

Trade Flow	Partner	2001	2002	2003
Exports	.WORLD	11,037,200,000	9,130,040,000	8,242,280,000
Imports	.WORLD	5,634,610,000	5,956,240,000	4,895,650,000
Trade Balance	.WORLD	5,402,590,000	3,173,800,000	3,346,630,000
Total Trade	.WORLD	16,671,810,000	15,086,280,000	13,137,930,000
Exports	United States	5,725,180,000	3,452,820,000	4,466,450,000
Imports	United States	51,040,000	34,760,000	347,160,000
Trade Balance	United States	5,674,140,000	3,418,060,000	4,119,290,000
Total Trade	United States	5,776,220,000	3,487,580,000	4,813,610,000
Exports	EU15	2,839,935,716	2,403,367,735	1,571,518,792
Imports	EU15	1,902,200,950	1,827,290,430	1,146,268,334
Trade Balance	EU15	937,734,766	576,077,305	425,250,458
Total Trade	EU15	4,742,136,666	4,230,658,165	2,717,787,126
Exports	Turkey	0	0	102,365,000
Imports	Turkey	0	0	911,963,000
Trade Balance	Turkey	0	0	-809,598,000
Total Trade	Turkey	0	0	1,014,328,000
Exports	Jordan	622,650,000	682,707,000	340,578,000
Imports	Jordan	587,224,000	664,366,000	596,767,000
Trade Balance	Jordan	35,426,000	18,341,000	-256,189,000
Total Trade	Jordan	1,209,874,000	1,347,073,000	937,345,000
Exports	Canada	523,923,000	694,781,000	797,726,000
Imports	Canada	4,213,130	9,712,720	3,672,400
Trade Balance	Canada	519,709,870	685,068,280	794,053,600
Total Trade	Canada	528,136,130	704,493,720	801,398,400
Exports	Brazil	25,576,000	328,623,000	345,862,000
Imports	Brazil	6,668,900	82,136,100	52,337,700
Trade Balance	Brazil	18,907,100	246,486,900	293,524,300
Total Trade	Brazil	32,244,900	410,759,100	398,199,700
Exports	Australia	0	20,524,800	27,576,500
Imports	Australia	482,765,000	398,906,000	178,826,000
Trade Balance	Australia	-482,765,000	-378,381,200	-151,249,500
Total Trade	Australia	482,765,000	419,430,800	206,402,500
Exports	Russia	8	86	27
Imports	Russia	206,073,000	403,170,000	183,866,000
Trade Balance	Russia	-206,072,992	-403,169,914	-183,865,973

CRS-34

Trade Flow	Partner	2001	2002	2003
Total Trade	Russia	206,073,008	403,170,086	183,866,027
Exports	Japan	127,780,000	96,253,300	99,525,300
Imports	Japan	208,910,000	311,298,000	84,128,600
Trade Balance	Japan	-81,130,000	-215,044,700	15,396,700
Total Trade	Japan	336,690,000	407,551,300	183,653,900
Exports	Thailand	70,381,400	37,393,200	22,947,600
Imports	Thailand	63,551,800	83,279,200	121,814,000
Trade Balance	Thailand	6,829,600	-45,886,000	-98,866,400
Total Trade	Thailand	133,933,200	120,672,400	144,761,600
Exports	India	54,048,100	57,470,700	68,182
Imports	India	82,541,400	85,371,300	120,890,000
Trade Balance	India	-28,493,300	-27,900,600	-120,821,818
Total Trade	India	136,589,500	142,842,000	120,958,182
Exports	Egypt	895,207	951,897	1,154,000
Imports	Egypt	99,614,800	103,030,000	114,519,000
Trade Balance	Egypt	-98,719,593	-102,078,103	-113,365,000
Total Trade	Egypt	100,510,007	103,981,897	115,673,000
Exports	China	66,383,600	87,493,600	295,455
Imports	China	437,609,000	462,938,000	61,661,600
Trade Balance	China	-371,225,400	-375,444,400	-61,366,145
Total Trade	China	503,992,600	550,431,600	61,957,055

Source: International Monetary Fund Direction of Trade Data, compiled by CRS using the Trade Policy Information System, Department of Commerce.

- a. Trade Balance equals Exports minus Imports
- b. Total Trade equals Exports plus Imports