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Iraq Status Report

July 1, 2009



Bureau of Near Eastern Affairs
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HIGHLIGHTS



- **New Regional Constitution (*POLITICAL*, page 4).**
- **BP and CNPC Win Bid for Rumaila Field, No Other Bids Awarded (*ECONOMIC*, page 10).**
- **Yemen Nominates Ali Al-Bajiri as the Next Ambassador to Iraq (*DIPLOMATIC*, page 18).**
- **U.S. Combat Forces Complete Withdrawal from Iraqi Cities (*SECURITY*, page 23).**

POLITICAL - Governance & Legislation



New Kurdistan constitution and arrests of political personnel stir tension

New Regional Constitution:

- The Iraqi Kurdistan Parliament passed a new constitution on June 24, which controversially lays claim to Kirkuk and other disputed areas. The constitution is currently scheduled to be presented to Kurdish voters for ratification via a referendum July 25, the same time as Kurdish regional elections. The text was approved by 96 of the 111 members of Parliament, but seven members walked out of the parliamentary session and called the vote illegal because the legislature's mandate ended June 4.

Iraqi MPs Dispute the Kurdistan Regional Government's New Constitution:

- Fifty Iraqi Members of the Council of Representatives signed a petition June 29 criticizing the Kurdish region's new constitution. Ossama al-Nujaifi of the secular Iraqi National List, one of the members who signed the petition, said "Not only is it not compatible with the federal constitution but it violates it," and gives more power to the (Kurdish) region than to Baghdad. Kurdish deputy Mahmud Othman urged political leaders in Baghdad and Kurdistan "to open a serious dialogue" and denounced the haste with which the referendum was scheduled.

POLITICAL - Governance & Legislation



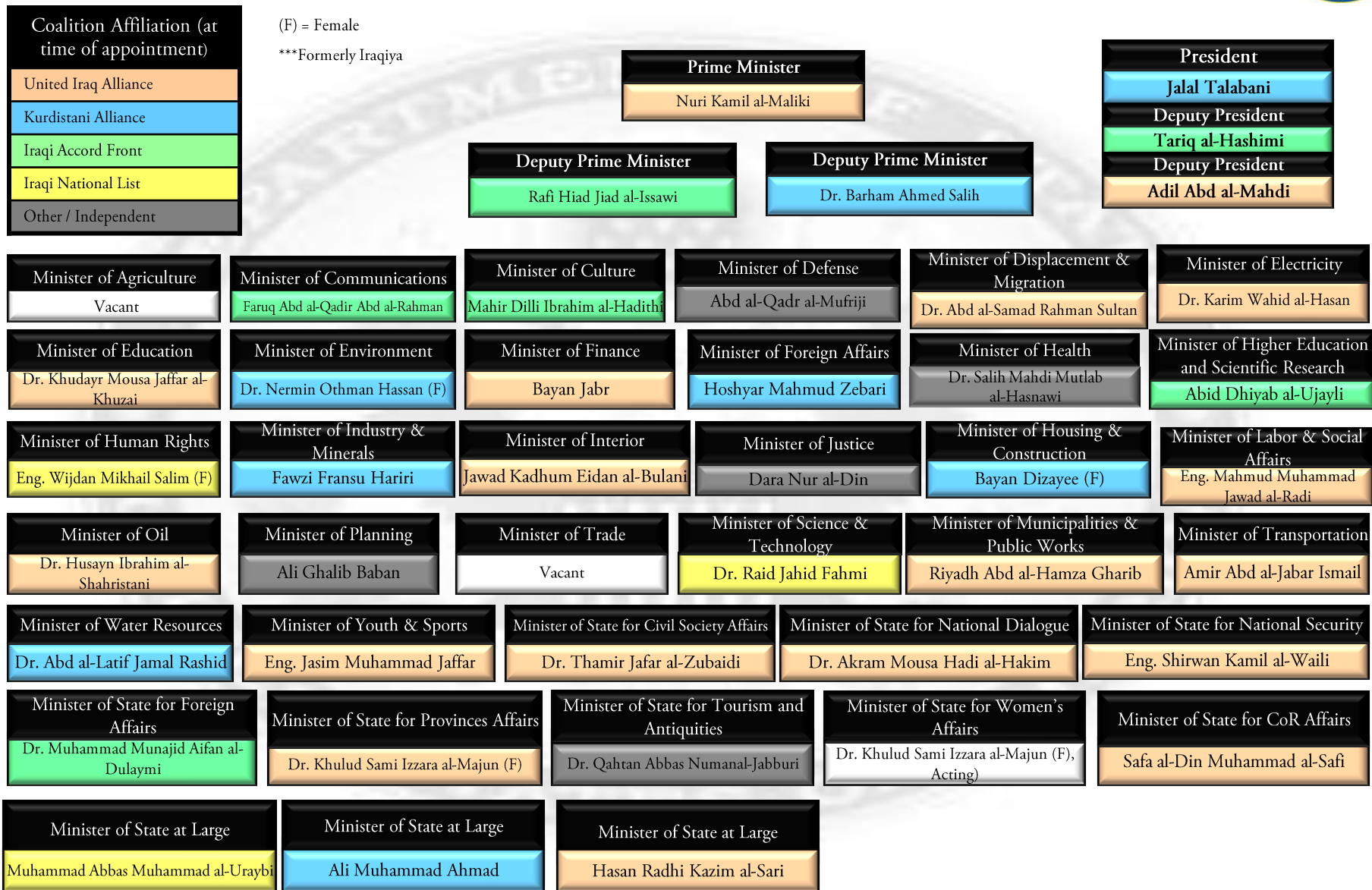
New Kurdistan constitution and arrests of political personnel stir tension

Complaints Concerning Arrests Directed Towards PM Maliki:

- Ahead of the Iraqi national election scheduled for January 2010, rivals or potential opponents of Prime Minister Nuri al-Maliki, namely the Iraqi Islamic Party and the Sadrists, are complaining of arrests of their members as a strategy being used by Maliki to send a message to cooperate with him. Some of Maliki's rivals are describing the arrests as "a systematic campaign." Sami al-Askari, an aide to the Prime Minister, commented that, "Maliki has a strong personality. The constitution gives him great powers, but if he was not a strongman, he would not have done what the constitution allows him to do."



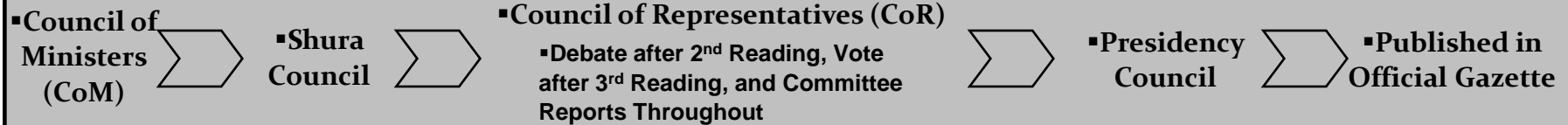
POLITICAL – Government of Iraq



POLITICAL – Key Legislative Issues



Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.
- **National Elections Law:** A draft of a proposed national elections law is in committee but has not been finalized.

POLITICAL - Refugee Update



- **Regional governments report hosting as many as 2 million Iraqi refugees.**
- **The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.**
- **In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.**
- **The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).**
- **Since the program's inception in FY07, 28,967 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.**
- **As of March 2009, a total of 375 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).**
- **As of March 2009, a total of 641 SIVs have been issued for Iraqis since FY08 (under the Section 1244 program).**



ECONOMIC – Oil

Oil prices are rising, but exports and production remain below 2009 targets

Crude Oil Update:

Price averages in world markets closed with the following prices:

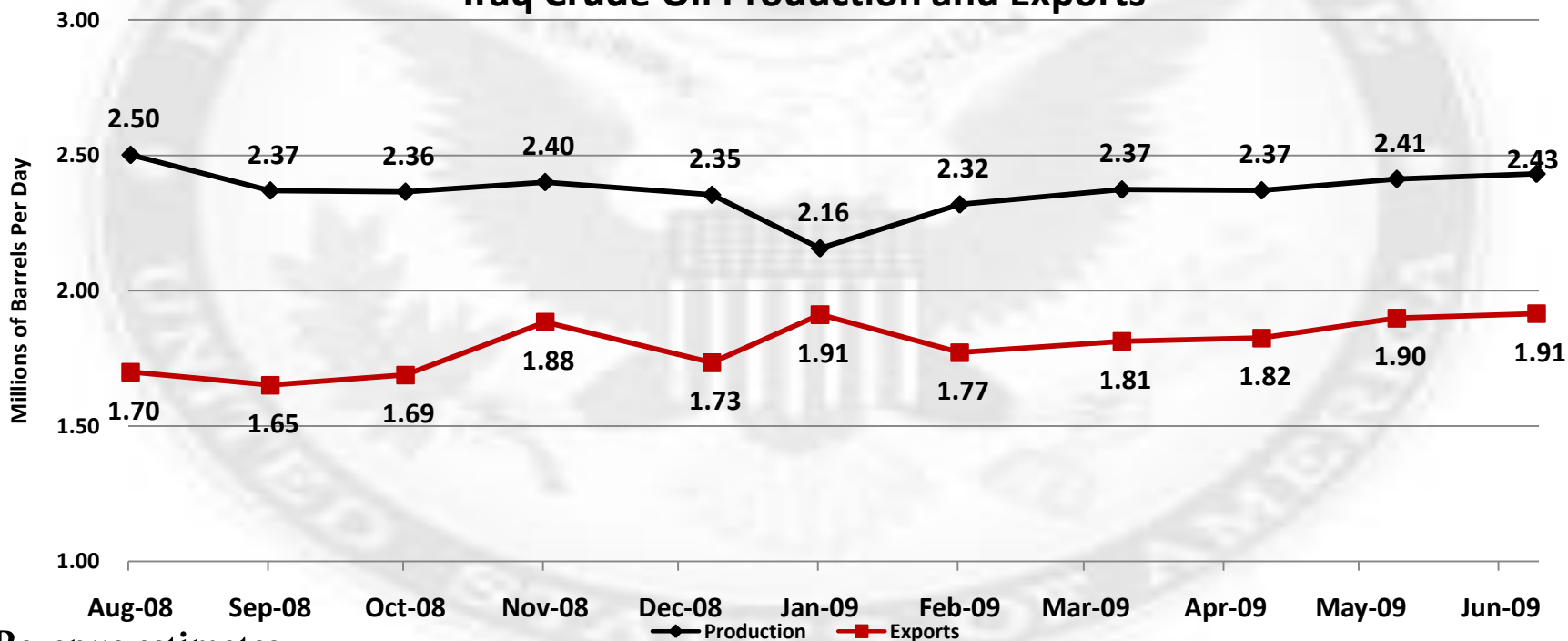
Basrah Light at \$66.18/barrel

Dated Brent at \$67.65/barrel

WTI Cushing at \$68.52/barrel

Oman/Dubai at \$69.12/barrel

Iraq Crude Oil Production and Exports



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$14.58 Billion



ECONOMIC – Oil

After a sandstorm delays bidding, the first bid round opens with only one award

BP and CNPC Win Bid for Rumaila Field, No Other Bids Awarded:

- The Ministry of Oil announced June 30 that Britain's BP and China's CNPC International Ltd. won a bid to begin development of the Rumaila oil field in southern Iraq. According to Minister of Oil Husayn al-Shahristani, the companies will be paid two dollars per barrel and within six years are expected to increase production on the field to 2.85 million barrels per day. Several companies refused the terms set by the Government of Iraq and withdrew their bids. There were no bids for the Mansuriya gas field in Diyala province.

Minister of Oil Selects Company to Develop Nasiriyah Oil Field:

- Iraqi Oil Minister Husayn al-Shahristani announced June 25 the ministry had selected a company for a development contract of the Nasiriyah oil field and had sent its choice to the cabinet for approval but declined to identify the selected company. Italy's Eni, Japan's Nippon Oil, and Spain's Repsol were invited to bid for the engineering, procurement and construction contract; however, an industry source said June 24 that Repsol was no longer being considered for the contract.

ECONOMIC – Oil



After a sandstorm delays bidding, the first bid round opens with only one award

Sinopec to Purchase Addax Petroleum:

- The Chinese oil company Sinopec will gain control of a portion of Kurdistan's oil reserves when it completes a \$7.2 billion purchase of the Geneva-based Addax Petroleum Corp. This is the second merger deal to occur involving the Kurdish region since the area began exporting oil in early June. The takeover will give Sinopec control of 42.5 million barrels of proven and probable reserves.

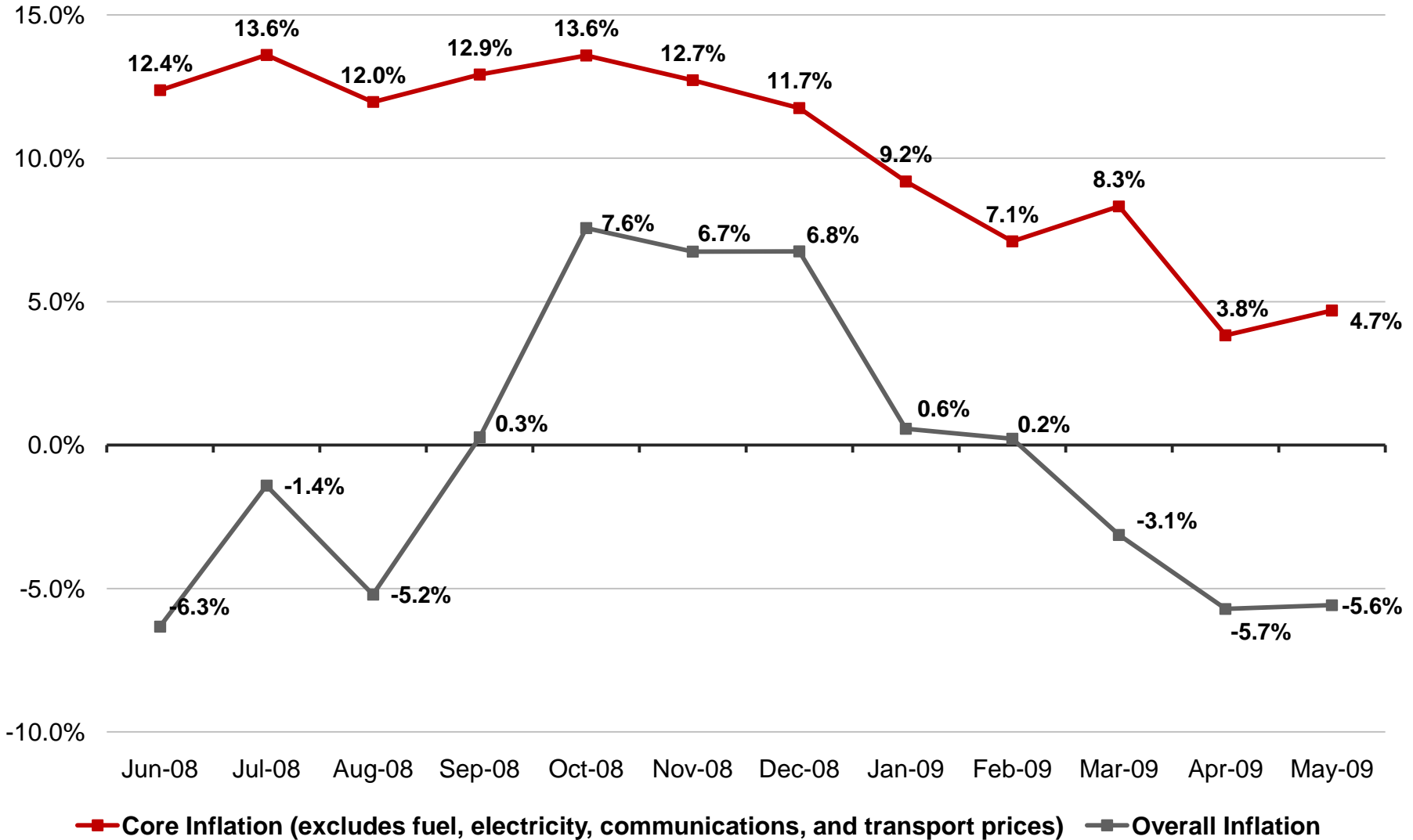
IEA Forecasts Possible Decrease in Iraqi Oil Production:

- The International Energy Agency (IEA) says that Iraq is overly optimistic with its projected plans of increasing oil production to 6 million barrels per day by 2017. Industry experts and agency officials believe that production could actually decrease over the next few years. IEA forecasts that Iraq's oil production could drop to 2.23 million bpd by 2010 - 2011, before increasing to 2.7 million bpd by 2014.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation



ECONOMIC – Fiscal and Monetary Affairs



Sound economic policies will help ensure Iraq maintains security and stability

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$64.87	\$66.76	\$59.29	\$66.08
Yield	10.00%	9.69%	13.37%	10.96%

ECONOMIC – Private Sector



Iraq looks for investors to fund transportation, agriculture and communications projects in Basrah

Iraq Proposes a Massive Reconstruction Plan But Asks to Delay Payments:

- **The National Investment Commission (NIC) is in talks with local officials in Basrah to bring new investment to the region's ports and railroads to improve the transportation of oil. Among the proposals is a \$12 billion project to construct a new oil export terminal and the government is considering plans for a deep-sea port. At a meeting held June 29, officials from the NIC and the province also discussed ways to attract investment to the agricultural and communications sectors. "Basrah is attracting investors more than any other province in the country as it is considered to be Iraq's economic capital," one NIC official said.**

ECONOMIC – Public Services



After six years, UNICEF announces it will reopen its office in Baghdad

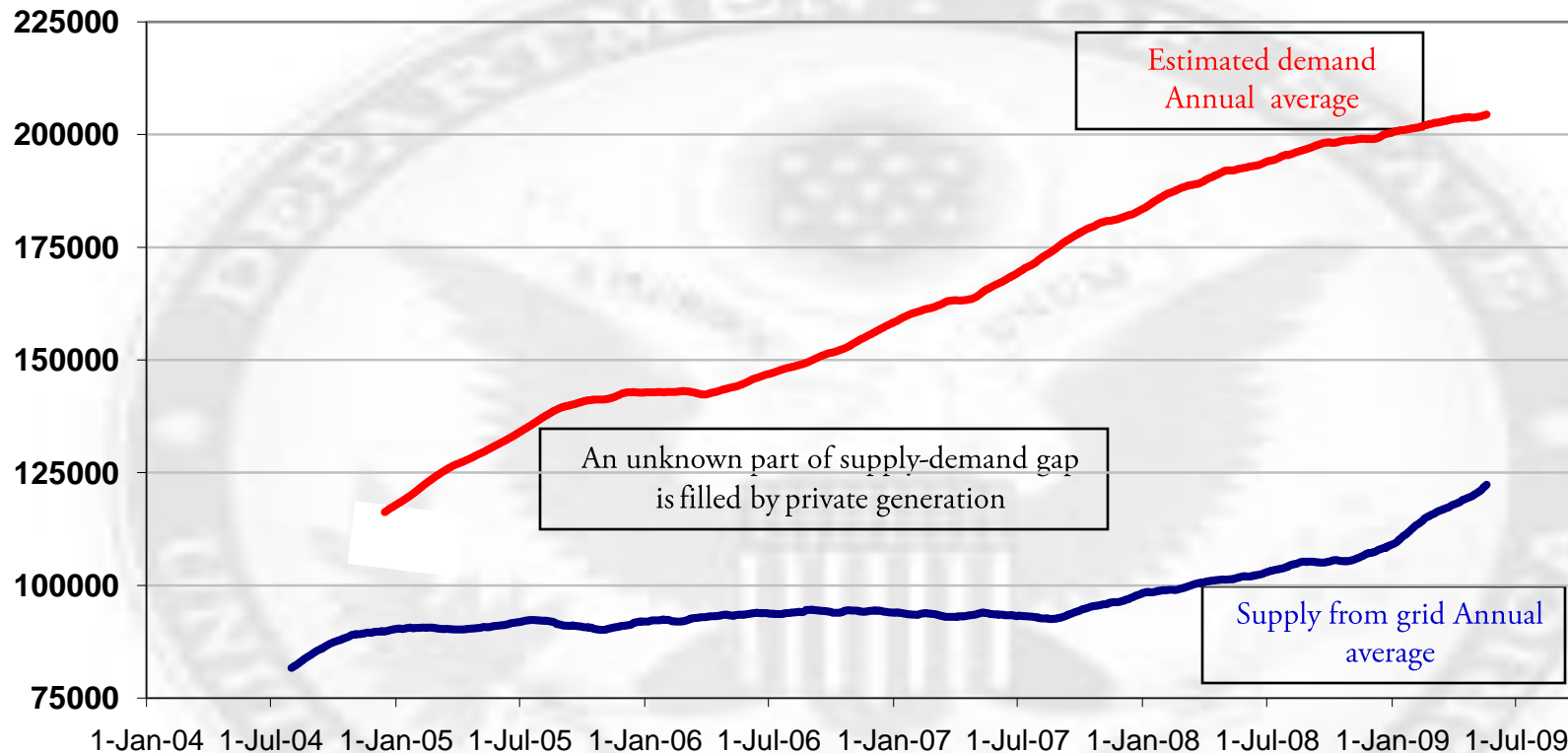
UNICEF Announces Reopening of Baghdad Office:

- **The United Nations Children’s Fund (UNICEF) announced June 29 it will reopen its office in Baghdad after a six-year closure due largely to the security situation in the country. "This marks the beginning of the UNICEF Iraq country office's full transition back to Iraq over the next year," UNICEF said. Since closing its offices in Baghdad, UNICEF has run its Iraq operations from Jordan; but it will now have five senior staff members in Baghdad. The agency also announced a \$10 million water and sanitation project funded by the European Community which will provide over 100,000 people with improved access to water and sanitation facilities.**



Public Services – Electricity

GOI needs to strengthen policy actions to manage demand and usage patterns



- Electricity supply from the grid June 24-30 was 23% above 2008 and met 58% of demand, compared with 51% for the year earlier period.
- Second quarter average daily supply was 141,000 MWh, nearly 37,000 MWh above 2008. Combustion turbine output rose by 19,000 MWh and imported power rose by 7,500 MWh primarily due to the addition of a third high-voltage transmission line from Iran..

Beyond Baghdad



“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

Solar Powered Water Purification Unit

Ta'mim

The \$6 million and \$10 million Iraqi funded ring road in Kirkuk was officially opened in mid-June following a ribbon cutting ceremony attended by the Governor, members of the Provincial Council, and key Directors General. The completed ring road was the largest outstanding project in northern Iraq. It is designed to alleviate traffic congestion downtown by passing traffic around the center of the city.

Babil

Villages determined to be at high risk for cholera received four solar powered water purification units. The units were provided by the PRT at the request of provincial health authorities as part of an anti-cholera campaign. Villagers will be instructed in unit operations and repairs.

DIPLOMATIC – Political Engagement



The international community continues to increase engagement with Iraq through appointment of ambassadors and high-level visits

Yemen Nominates Ambassador to Iraq:

- The Iraqi Ministry of Foreign Affairs reports Yemen has nominated Ali Al-Bajiri as the next Ambassador to Iraq. Bajiri, who will be the first Yemeni Ambassador to Baghdad in six years, previously served as Yemen's Ambassador to Bahrain.

Norwegian Foreign Minister Visits Iraq:

- Foreign Minister Jonas Gahr Stoere met with Foreign Minister Hoshyar Zebari, Minister for Human Rights Wijdan Mikhail Salim, and NGO and UN representatives during his June 29 visit to Baghdad. Stoere said that Norway will establish an embassy in Iraq. In addition, he indicated that the Norwegian business sector is interested in increasing its involvement in the Iraqi energy sector.

DIPLOMATIC – Political Engagement



The international community continues to increase engagement with Iraq through appointment of ambassadors and high-level visits

European Electoral Experts Deployed for Kurdistan Regional Election:

- **The European Commission deployed two electoral experts to the Kurdish region to enhance transparency in the electoral process. Financed by the European Instrument for Human Rights and Democracy, the electoral experts will analyze the electoral process and report their findings to Iraqi and European Union institutions. The regional election is to be held July 25, 2009.**

DIPLOMATIC – Economic Engagement



Iraq and Germany to strengthen economic ties

German Minister Encourages Iraq Investment:

- **During the annual German-Arab Business forum in Berlin, German Economic Minister Karl-Theodor zu Guttenberg urged German firms to strengthen business ties in Iraq and Syria. During his speech at the forum, Guttenberg reiterated Germany's pledge to boost business and broaden commercial, social and cultural cooperation with Iraq, and also improve ties with Syria. "We are trying hard to strengthen existing bridges, and here we have a great role ahead of us, going forward, in both countries," he said upon welcoming the Iraqi and Syrian delegations to the yearly forum. Guttenberg described trade with Arab countries as 'dynamic' despite the global economic crisis. Last year Guttenberg's predecessor signed an investment accord with Iraq during the first visit by a German cabinet minister since 2003.**

SECURITY – Situation Update



High profile attacks precede the withdrawal of U.S. combat forces from Iraqi cities

Bombings in Sadr City and Kirkuk Precede U.S. Withdrawals:

- **An explosion killed more than 75 people and wounded at least 100 others in the Sadr City area of Baghdad June 24. The explosion occurred shortly after sunset in the crowded Mredi bird market; just days after U.S. Forces closed their local outpost in the area. Additionally, June 30 – the day U.S. combat forces completed their withdrawal from Iraqi cities – a car bomb in the northern city of Kirkuk killed at least 41 and wounded over 100 other Iraqi civilians. Speaking about the U.S. combat forces withdrawal, President Obama said the Kirkuk bombing underscores that violence in Iraq will continue and that “difficult days” loom. However, he expressed confidence that insurgent forces would fail.**

SECURITY – Situation Update



High profile attacks precede the withdrawal of U.S. combat forces from Iraqi cities

ISF Commanders Taking Steps to Insure Troop Readiness:

- **Iraqi Security Forces (ISF) commanders cancelled leave for all police and put them on high alert June 28 in preparation for the June 30 withdrawal of U.S. combat forces from Iraqi cities. Ministry of Interior spokesman Major General Abdul-Karim Khalaf said, “The alert has gone to all of our forces. There will be no days off.” He also added, “All of our units have seen an increase in their numbers, not only at the checkpoints.”**

SECURITY – Security Transition



Iraq assumes responsibility for security in cities

U.S. Combat Forces Complete Withdrawal from Iraqi Cities:

- **The Government of Iraq declared June 30 a national holiday calling it “National Sovereignty Day,” celebrating the withdrawal of U.S. combat forces from Iraqi cities. “This day, which we consider a national celebration, is an achievement made by all Iraqis,” Prime Minister Nuri al-Maliki said. President Barack Obama hailed the completed withdrawal as “an important step forward” and a testament to the commitment of American troops. MNF-I Commander General Odierno called the withdrawal and transfer of responsibility to Iraqi Security Forces a “significant milestone.” He said that “as Iraqis secure the cities, U.S. Forces are establishing a layer of defense outside the urban areas, partnering with Iraqi Forces to conduct full-spectrum and stability operations to eliminate safe havens, crack down on insurgents and stem the flow of foreign fighters.” General Odierno also added that “U.S. Forces will also continue to support civil efforts led by the U.S. Embassy, the Government of Iraq, and the United Nations Assistance Mission in Iraq.”**



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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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