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- POLICY DEPARTMENT -**

**Iraq: Country Briefing**



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## Figures

<b>Total population</b>	27,499,638 (July 2007 est.) <sup>i</sup>
<b>GCP per capita</b>	US\$ 1,189 <sup>ii</sup>
<b>Exports</b>	Petroleum (95 % of foreign earnings), natural gas
<b>Life expectancy</b>	69.31 years (2007 est.) <sup>iii</sup>
<b>Enrolment ratio for education</b>	59.6 % (2005 est.) <sup>iv</sup>
<b>Births per woman</b>	4.9 (2005) <sup>v</sup>
<b>Under-five mortality rate</b>	125 per 1,000 (2005) <sup>vi</sup>

<sup>i</sup> Central Intelligence Agency, August 2007: *The World Factbook: Iraq*.

<sup>ii</sup> *Iraq National Development Strategy 2007-2010*, 10.

<sup>iii</sup> Central Intelligence Agency, August 2007: *The World Factbook: Iraq*.

<sup>iv</sup> UNESCO Institute for Statistics, 2007.

<sup>v</sup> UN 2007.

<sup>vi</sup> UNICEF 2006.

## Domestic Policy

Since the beginning of 2008 Iraqi Parliament has passed key pieces of legislation including a law allowing former officials from the Baath party to return to public life. A notable breakthrough was a trade off package comprising the 2008 budget (\$48 billion spending), an amnesty law, and a law on the status of provincial governorates which paves the way for decisive regional elections to take place in October.



Disagreements continue over the future of the **ethnically mixed city of Kirkuk** in northern Iraq. A referendum on whether the province should join the Kurdish Regional Government was originally scheduled for December 2007, but is currently on hold. The dispute over the poll in Kirkuk is a main reason for postponing the local elections.

Parliament passed a new **provincial election law** on 24 September. UN Envoy Staffan de Mistura worked with various political blocs to secure their approval. The Iraqi Presidency Council has approved the election law on 03 October. According to the new law, elections will take place by January 2009 in regions except for Kirkuk. Parliament will form a committee to draft separate legislation for Kirkuk by March 2009.

A new **Oil Law** proposal has been submitted to the Iraqi Council of Representatives in May 2007, but has not yet been agreed upon. The proposal entailed handing over exploration and drilling permanent contracts for decades on terms that could be disproportionately profitable to the contracting companies and unfair to Iraqis. Part of the input for the draft law came from non-Iraqi sources.

## **Economics**

The economy of Iraq is **dominated by the crude oil sector**. Traditionally, this has provided about 95 percent of the country's foreign exchange income. A report of the research institute Global Insight from November 2006 already stated that "civil war or not, Iraq has an economy, and - mother of all surprises - it's doing remarkably well. Real estate is booming. Construction, retail and wholesale trade sectors are healthy, too". Although problems such as looting, insurgent attacks, and sabotage acts have undermined the efforts to rebuild the economy, economic activity is starting to increase in some areas that have been more secure over the last year such as Northern Iraq, for example. In terms of exports of crude oil levels are about the same as before the war of 2003 and the government revenue has benefited from high oil prices in recent months. Despite the security problems and political problems, Iraq is on a good way to make some progress in rebuilding the proper authorities needed to implement sustainable economic policies. Furthermore, the country successfully managed to come to an agreement to **reduce debts with the Paris Club** as well as a **Stand-By Arrangement with the IMF**. Iraq has received about \$33 billion in foreign aid for the years 2004 to 2007.

The **International Compact**, a program to integrate Iraq with the regional and global economy, was established in May 2007. Moreover, the Iraqi government is on the way to implement regulations to strengthen its economic development. An important aspect of this is a law on hydro carbonates and to establish a legal basis to allow the country to develop its natural resources as well as a revenue sharing law that regulates income from crude oil between the different ethnic groups. The Central Bank of Iraq has been on a good way to successfully control inflation through a policy of appreciation of the Iraqi dinar against the US dollar. Additionally, a program to reduce corruption and well as the implementation of structural reforms, including bank restructuring as well as developing the private sector have to be priorities in the coming years

## **Security Situation and US Troops**

Since the overthrow of Saddam Hussein the domestic scene in Iraq has seen the rise of a class of politicians consisting of predominantly former exiles and émigrés. They enjoy little legitimacy. As a result of the absence of proper political organisation the number of both Sunni and Shi'a clerics has increased including the more radical elements, at the expense of secular minded forces.

Insecurity and instability are still the major issues. The collapse of the state apparatus has created a security vacuum that has been filled by autonomous and violent groups. The trend towards improved security reversed as the Sadr militia launched an armed revolt in Basra and Baghdad in February and early March. Calm has returned after PM al-Maliki responded with a military crackdown in an attempt to assert state authority. The improvement of security conditions can be ascribed to a number of factors: the surge of American troops; the development of a bottom-up strategy by "buying in" of support by alleged or real key actors among the Sunnites; a (temporary) tactical reduction of activities of Shiite groups.

In mid-September General Ray Odierno replaced General Petraeus as commander of the Multi-National Forces. Speaking at the ceremony, he described the security gains in Iraq as "fragile and reversible". Overall challenges remain: to end violence and to attenuate the ethno-sectarian centrifugal forces; to increase legitimacy for the state institutions and to build up their capacities, to ensure the integration of the militia fighters into either the army or into regular professional activities; to address the situation of more than 4 million refugees.

Against domestic pressure to set a timetable for the withdrawal of troops, the US stepped up its military presence in Iraq between January and November 2007 under the "surge" strategy. The strategy aimed at improving the local security situation including through engaging and arming Sunni tribe militias (87,000 men) to combat Al-Qaida in Iraq. The rationale of this strategy has been criticised as these new militias (called Sahwa or "the Awakening") operate beyond the control of Iraq's central government and comprise the very Sunni militants who before were waging assaults on American forces.

The rise of the "Sahwa" militias was almost entirely a US-overseen process, with individual tribes and groups agreeing "contracts" with the US military.

On 1 October, the responsibility of the Sahwa fighters - including payments to them - was handed from the US military to the Iraqi government.

However, Shiite politicians have frequently expressed concern about the strength of the new Sunni militias, arguing that they must be disarmed and disbanded after serving their purpose of defeating Al-Qaida fighters. Adding to the tension, reports have proliferated recently that many Awakening members, and several local leaders, have been arrested in connection with their activities prior to the formation of the "Sahwa". In term, the "Sahwa" fighters will either to be absorbed by the regular army (12,000 already integrated, a figure which could rise up to 20,000) or to be provided with regular jobs. This could be done through the upcoming provincial elections where some might run as candidates. The others will have to be provided with vocational training and measures of job creation.

As a result of the surge, the cooptation of the Sunni militias and the truce observed by the Sadr troops (Mahdi Army) since August 2007, less people are killed in Iraq. TV was displaying scenes of "normal" life in Baghdad in early January 2008. Some refugees have already returned. Yet, with both the Shiites and the Sunnis now having

weapons and legitimacy the situation is more than fragile. As such, in March, a civil uprising took place in Baghdad and Basra under the commandment of Moktada Sadr's troops. The US hailed the action and determination of PM al-Maliki, who was also backed by the Parliament in his decision to send troops to Basra and Baghdad to contain the uprising.

In early April, President Bush endorsed a recommendation by then US commander in Iraq, General Petraeus, to complete a limited withdrawal of combat troops by July 2008 - which had been decided in response to declining national support - but then, in the light of recent successes by increasing the military presence, the planned military reduction as of July 2008 was stopped. At the moment, 144,000 American soldiers are stationed in Iraq. The mandate is to end in August 2009.

Iraq's parliament on 27 November 2008 approved a landmark **security pact** with the United States that paves the way for a withdrawal of U.S. troops from Iraqi cities by June 2009 and a complete pullout from Iraq by the end of 2011. The pact consists of a Status of Forces Agreement and a long-term strategic framework agreement, which defines U.S.-Iraqi ties for years to come. It replaces the UNAMI mandate which is to end in August 2009 and gives Iraq authority over about 150,000 U.S. troops in the country, who will be obliged to withdraw from towns by mid-2009, and makes them liable for some crimes committed when they are off duty.

After hard parliamentary discussions a compromise was reached through submitting the pact to a referendum to be held on 30 July 2009 and through linking it to a package of reforms, such as speeding up the release of mainly Sunni detainees captured by the United States at the height of the sectarian violence.

## **Humanitarian situation**

The **humanitarian situation** in Iraq is worrying. There is evidence of widespread torture and other cruel, inhuman, or degrading treatment or punishment perpetrated by Iraqi security forces and U.S. forces. The US and Iraqi security offensive in Baghdad led to a sharp increase in the numbers of detainees. In 2007, 30,842 civilians are allegedly being held in Iraq for several months, many without being informed of the reasons for their detention, according to the UN Human Rights report.

The humanitarian situation is centre stage of the EP resolution on Iraq of 12 July 2007. The **massive population displacement** that was already feared in 2003 is now occurring. Out of a population of 27 million, close to 2 million Iraqis are displaced within Iraq, and about 2.2 million are outside. While many of them had fled their country before 2003, increasing numbers of Iraqis are now fleeing their homes.

Despite the country's high oil revenues, 5.6 millions Iraqis (of a total population of 27 millions) live below the poverty line (+35% since 2003). Iraqi people are food insecure, and the access to drinking-water is very low.

Sectarian fighting occurs frequently. In mid-October, **attacks and threats towards Christians** increased. At least a dozen people were wounded in a series of bomb explosions in Iraq's northern town of Mosul. Iraqi authorities and the US military accuse Al-Qaida in Iraq of the attacks. Thereafter, about half of the Christians in Mosul, nearly 10,000 people, have fled the city. Most of them are staying with relatives in surrounding areas.

## Foreign Policy

Iraq's foreign policy is dominated by its efforts both to avoid becoming entangled in the stand-off between Iran and the US and to seek to carve out a more independent role for itself.

As the first leader of **Iran** to visit the former enemy country, President Ahmadinejad paid a landmark visit to Iraq on 3 March 2008. The entire visit appeared to be a bold message to the U.S. and its Arab allies in the Middle East that Iran was the new heavyweight here. During the visit, Iran and Iraq signed several agreements on economic, cultural and strategic cooperation. Sunni voices in Iraq suspect Iran of materially assisting and influencing major Shiite factions in Iraq, mainly Moqtada Sadr and his Mahdi militia, and to have undermined the Sunni Sahwa forces. General Petraeus accused Iran to train militias in order to fight a proxy war against the Iraqi state and coalition forces.

During the last conference of Iraq's neighbours in Kuwait in April 2008, the US urged the **neighbouring Arab countries** to strengthen ties with Iraq. Iraq's efforts to improve ties with its Arab neighbours are partly due to the desire to reach a debt relief deal, as it has been arranged with the United Arab Emirates. Since then, Bahrain, Syria, Jordan and the UAE have named ambassadors to Baghdad, Saudi Arabia has said it was going to do so. Jordan's King Abdullah II made a historic visit to Iraq in August, the first Arab head of state to have done so since the fall of Saddam Hussein. Since then, the Lebanese Prime Minister and the Egyptian Foreign minister have also visited Baghdad.

Relations to **Turkey** largely depend on the activities of the Kurdistan Worker's Party (PKK) in the semi-autonomous Kurdish region. Turkey is worried about the impact of Kurdish activities in Iraq on its own Kurdish population. Turkey's Parliament has recently voted on extending the military's mandate to carry out cross-border operations against PKK bases in northern Iraq. However, the Iraqi government has remained relatively quiet about the incursions, in order to avoid jeopardising its important diplomatic and economic links with Turkey.

## EU Policy towards Iraq

The Delegation of the European Commission to Iraq was opened in December 2005. It assures the representation of the European Commission towards the Republic of Iraq, monitors and analyses the development of Iraqi policies and follows bilateral relations in the political, economic, commercial as well as financial and technical cooperation areas.

The EU, through the EC has been a major aid with the implementation of the IRFFI (International Reconstruction Fund Facility for Iraq) in the process of making Iraq slowly but surely viable. The multilateral mechanism of IRFFI, which was launched early in 2004 by the United Nations and the World Bank, coordinates the donor nation's support for reconstruction and development in Iraq. The IRFFI has two distinct trust funds working in a coordinated way but independently:

- The United Nations Development Group Iraq Trust Fund
- The World Bank Iraq Trust Fund

As such, the EC granted the amount of € **829 million from 2003 to 2007**. Those funds have been divided through various sectors such as Basic Services (Education, Health, Infrastructure, Water and Sanitation), Human development (Agriculture, Rural

development, Poverty Reduction, Durable Solution for Refugees), Political Process (Elections, Constitutional Process) and Capacity Building (Civil Society, Human Rights, Trade and Customs, Technical Assistance, Justice and the Rule of Law). With a **44 % share the EC is first in the IRFFI Donors Contributions list.**

The IRFFI mandate will run until 2010, and the cut-off date for further contribution to the IRFFI funds is set for the end of 2009. For the year of 2008, the EC is proposing not to channel support through the IRFFI but through bilateral agreements. The detailed programme for 2008 is yet to be approved by the council after consultation of the European Council and the EP.

The EC has decided, along with other international donors, to align its cooperation priorities to the **International Compact for Iraq (ICI)**, an initiative launched by the government of Iraq in 2006 and co-chaired by the United Nations. Reference to the ICI is also important to enable donors to see how the Iraqis are using their own money when programming donor funds, including – where appropriate - co-financing arrangements. Emphasis is placed on the value of co-ordination among donors and integration of their actions within an Iraqi owned strategy involving integration of the relevant line ministries.

An integrated EU rule of law mission (EU-JUST LEX), launched on 1 July 2005 under the scope of the ESDP, contributes to enhance the rule of law, providing training for almost 800 Iraqi judges, police and prison officers. The positive impact of the EU-JUST LEX programme has repeatedly been highlighted by the Iraqi authorities. In September 2007, **EUJUST LEX Mission** was **extended** for another 18 months **until 30 June 2009.**

**Negotiations for a Trade and Cooperation Agreement (TCA)** between the EU and Iraq started on 20 November 2006. Talks cover trade, especially of goods and services, but also deals with issues such as combating poverty, protecting the environment and education. Talks were productive with several chapters already agreed in areas such as energy cooperation, combating terrorism, countering proliferation of weapons of mass destruction. The 5th negotiating session was held in Brussels in June 2008.

A joint **ministerial conference on enhancing energy co-operation** between the EU, Turkey, the Mashreq countries and Iraq was held in Brussels in May, attended by representatives of the Iraqi ministry of foreign affairs and Iraqi Pipelines Company. The participants A framework energy agreement was signed, agreeing to facilitate the completion of the Arab Gas Pipeline project and the Iraq-Turkey gas pipeline project. They also agreed to cooperate for the integration of the Arab Gas Pipeline with the Nabucco project and other gas pipelines in the EU. This could boost the EU's tottering Nabucco pipeline project, intended to provide the EU with a direct link to Turkey and the gas-rich countries around the Caspian Sea and the Persian Gulf.

Specific EC **support to refugees, IDPs and returnees** amounted at the end of July 2008 to a total of € 86.48 million. The main objective is to create the conditions to enable displaced persons inside Iraq and refugees in neighbouring countries to return safely to their homes, ensuring that the human rights of all Iraqis are protected and focusing particular attention on vulnerable groups. Significant support was allocated for Iraqi refugees in Syria and Jordan. It aims at facilitating the integration of Iraqis in the social and economic life of their host countries. This is channelled through the respective state systems.



Under the policy plan on asylum presented by the Commission on 17 June 2008, the Commission intends to submit proposals in 2009 for the development of a **Community resettlement programme** in which Member States could take part on a voluntary basis. The Commission intends to conduct a mission to Syria and Jordan in early November in order to assess the situation of the most vulnerable Iraqi refugees in those countries, together with the Office of the UNHCR, and to examine the possibilities for resettlement in Member States willing to receive them. At present, some Member States are already taking in Iraqi refugees, particularly under their national resettlement programmes.

On 28 November the EU Ministers of the Interior decided to accept 10,000 Iraqi refugees, albeit on a voluntary basis and in light of the reception capacities of member states. Up to now, only 10% of those resettled by the UNHCR have found a home in EU countries, mainly Sweden<sup>1</sup> and the Netherlands. However, the non-binding decision is unlikely to reverse the current trend. So far, most Iraqi refugees have been taken in by the United States, Canada and Australia.

### **Activities of the European Parliament**

The EP resolution on the EU's role in Iraq of 13 March 2008 following the report of Ana Maria Gomes (PSE) recommends “a new reinforced strategy for action”, based on respect for human rights. One of the cornerstones of the report is the suggestion to engage more fully with Iraqi parliamentarians.

The reinforced strategy would include:

- using existing EU financial instruments to channel European financial assistance, rather than multilateral trust funds (see the EP's continued requests to the European Commission for more transparent information related to the discharge exercise 2006)
- encouraging the Iraqi government to commit more funds to helping refugees and displaced persons;
- supporting the Commission's negotiations of a trade and cooperation agreement;
- persuading European businesses to return to Iraq;
- engaging with Iraq's neighbours, including Iran, Syria, Saudi Arabia and Turkey.

In order to strengthen its relations with the Council of Representatives, the EP has set up a permanent ad hoc **Delegation for the relations with Iraq** in February 2008 (Chair: Baroness Nicholson). The Delegation aims to contribute to parliamentary exchanges, to capacity building and training/information on the work of parliamentary structures and legislative procedures.

Recent high-ranking visits to the EP related to Iraq include Kurdish President Barzani in May 2007, Speaker Mashhadani in October 2008, Deputy Speaker Sheik Khalid al-Attiya in February 2008 and the UN Secretary General's Special Representative for Iraq, Staffan de Mistura, on 10 April 2008.

**Visiting the EP** in Brussels on 16 April 2008 Iraqi PM **Nuri al-Maliki** sought with mixed success to assure the AFET committee that the Iraqi security situation is improving. There is growing concern within the EU that its money is being misspent or simply fails to make a difference as the security situation remains unpredictable.

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<sup>1</sup> Sweden received about 18,000 Iraqi asylum seekers in 2007 - more than half the total that entered the EU in 2007.

The Iraq-Delegation led by Baroness Nicholson visited Baghdad from 16-19 January 2009, holding meetings with the Iraqi Parliament and government authorities.

# Annex

## Map of Iraq: Religious and Ethnic Groups

