

Iraq: A Key Section of the World's Energy "Solar Plexus"

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THE IMPORTANCE of what is happening in the Middle East, and especially in Iraq, has long transcended the regional boundaries. The situation in Iraq is making a significant impact on the overall international situation and on the positions of many countries, including the most influential ones. Iraq stays in the focus of international politics, and the Iraq issue contributes to the alignment of political forces in many countries.

Whereas the Middle East with its oil and gas wealth can be quite justifiably called the "fuel and energy solar plexus" of modern world, Iraq is its most important component part, which largely determines the normal functioning of this region's oil and gas complex.

Iraq is emerging from the gloom. The movement towards the light of day is slow at the moment and is being made possible at the cost of casualties and blood. Be as it may, however, Iraq has a historic chance today to become the first secular state among the Arab countries of the Middle East. This chance has been earned through enormous losses, poverty, the exodus of intellectuals from the country and the collapse of the system of education and public health. The awareness of these losses is making the leadership of the state, religious and party leaders and tribal chiefs to seek consensus in society, formulate "rules of living and creating" acceptable for the various groups of the population and the various regions in a new Iraq. It seems to me that religious problems are gradually becoming of secondary importance and the desire to reach national accord is becoming more evident.

An important constructive stance of influential Iraqi politicians like Ali al-Sistani plays an important part in this process. The impressive victory of the Islamic Dawa Party led by Prime Minister Nouri al-Maliki attests to its serious political potential and confidence of the population in

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the government measures to rebuild the economy, strengthen social stability and security in the country. The parliamentary elections scheduled for March 2010 can of course bring about a change in the political mosaic in the country, but the government of Nouri al-Maliki and the Dawa Party tasked with tackling the entire range of post-crisis problems at the most difficult period of transition after 2003 have big chances to score a political success.

There can be different interpretations of what Iraq's coalition government is doing. Alongside successful decisions it has not avoided mistakes. My meetings with representatives of the main political forces of the ruling coalition leave no doubt that the country's leadership is fully aware of the prevailing situation and doing its best to build a new type of state system. I would like to specially note the balanced policy followed by Jalal Talabani who became President of Iraq during the most difficult period in the recent several centuries of the country's history. We in Russia know well and respect this sage man with a sophisticated grasp of politics and international affairs, and he has many friends and admirers in Russia. We in Russia on the whole value highly the efforts and consistent work of Iraq's new leadership seeking to get over the transitional period in a dignified way, stabilize public life, build a normally functioning economy and thereby create conditions for the country's development and prosperity for the good of all Iraqis.

I am convinced that Iraq and its people have a historic chance to be the first in the Middle East to build a new state system of a secular and democratic type. If the present tendency in Iraq takes hold in the coming five years, this will give a strong impetus to the launching of a process of sociopolitical changes in Iraq's neighboring countries. It would thus make an invaluable contribution to the development of modern civilization.

The realization of this puts tremendous responsibility on Iraq's authorities, clerics and heads of the regions and tribes. It puts no smaller responsibility on the leaders of all neighboring countries without exception, which is above all true of Iran and its role in helping Iraq develop its statehood. And it is true in no smaller degree of the most influential countries in the world: the USA, Russia, countries of the European Union, China, and India.

There still remain many outstanding political questions in regard of which support from the leading countries is of vital importance to Iraq. The key issue is the lifting of the UN sanctions imposed against the Saddam Hussein regime, some of which still remain in force. In February

2009, Nouri al-Maliki discussed the issue with UN Secretary General Ban Ki-moon, but lifting them requires the approval of all UN Security Council members, including Russia.

I think that as Iraq was going through trials and tribulations, Russia took the only correct stance. Before the war, the Russian leadership thought that the only way to take Iraq out of international isolation was through peaceful means and it was trying to carry out the idea. A peaceful transition would have taken long enough but it would not have involved the great number of deaths and much suffering which have resulted from the military solution of the problem.

Even during the war operations and subsequently, the Russian leadership maintained a restrained stance of noninterference and made no attempt to influence the situation

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inside Iraq or the external processes related to forming in Iraq a new state system. This stance essentially consisted in not disturbing the complex processes in Iraq and in helping as much as possible with the development of a new Iraqi state. Noninterference was the show of the maximum respect for the Iraqi people while the cancellation of its huge debt to Russia with no strings attached was a step to promote the processes of democratization in Iraq; it also indicated the confidence of Russia's leadership that Iraq would become a strong state and find an appropriate path of development.

Good relations between Russia and Iraq are of long standing. During the 1990s, Russia was also going through a rough patch as it was reshaping itself and coming to terms with its new identity. Even so Russia was invariably giving to the Iraqi people in the late 1990s political and economic support. The substantial potential of Russian-Iraqi relationship makes it possible to claim that new horizons are opening for strengthening and further expanding comprehensive cooperation between our two countries in building a qualitatively new strategic partnership.

Iraq's leadership is trying hard to lead the country along a peaceful and constructive path. This would take getting the economy better and creating more jobs. Reviving the economy is a task for those who have been the first to come to Iraq to expand business. We know that the key

problems facing Iraq now consist in strengthening government institutions, having the foreign troops withdrawn from the country, creating a legal foundation of security for the people and for the revival of the economy.

I think that Iraq could find very useful the experience gained by Russia in the process of economic reforms. We were also initially stressing the creation of laws, attracting foreign investments and the coming to Russia of major Western companies. Rather soon, it became clear that we could not formulate all the necessary laws in a short space of time (law-making is a protracted process). Thus, Western companies, even if they won projects in Russia, had to wait five or ten years for more favorable conditions to carry out those projects. There is therefore every reason to believe that when Russia's regions were granted certain powers, when all small projects were welcome, when in the absence of laws the government and the president had to make all decisions, this stirred the country's economy into action after all and made it possible for regional economies and projects keep afloat under the very hard conditions of the early and the mid-1990s.

Major national projects cannot get off the ground in Iraq before five years from now, even if we ignore the world economic crisis which makes it exceedingly hard to attract funds. Iraq should have an appropriate legislative base to make this possible. At the same time small oil and gas fields that could be developed by small and medium businesses should have been put into operation long ago. For sure, the government of Iraq needs powers from the political parties and regions to go ahead (with sufficient safeguards) and develop the smaller and medium oil and gas fields to benefit the regions and the entire country. While this is not going perhaps bring much money, it would breathe life into the economy, encourage initiative, open prospects and evoke optimistic attitude among the great mass of the population, especially among the young people.

Expanding cooperation in joint projects has everything to do with the problem of Iraq's debt which is being widely discussed at the moment. Russia subscribed to the Paris Club's decision regarding the debt cancellation to Iraq. But this cannot be done overnight. I think this is a delicate hot-button process, but small, medium and even major projects cannot be tied to the debt. My view is that debt problems get resolved quicker when projects get launched. This makes it easier to decide on how to write off the debts. Indeed, when there is revival, when there are projects, there are investments and it is easier to find solutions instead of wasting years at

the negotiating table.

Succession with regard to contracts concluded way back in the past is a difficult question in bilateral relations. This succession should be preserved. It would be otherwise impossible for serious business interests to undertake in Iraq projects that can pay back in at least three or five years, or, in the case of the oil and gas sectors and the heavy industry, eight or ten years. If this is not against the existing laws, this is the only way. Regardless of the changed situation in the country, there are laws which the Russian companies did not break. If this is so, succession should be preserved. To which extent, is another matter. No president, premier or minister can grant any preferences at a stroke of the pen. They should be won through intentions, deeds and action. One of the results of the latest visit by the delegation led by Premier Nouri al-Maliki is the setting up of a joint commission to review the earlier contracts. This is a piece of evidence that our Iraqi partners appreciate our interest.

We can hardly talk about meticulous observance of the earlier understandings now that there is a new political regime and new legislation is yet to be put in place. There is an almost total absence of legislation currently substituted by intentions, plans, exhortations and fledgling, mainly bilateral, understandings. At the same time it is essential for Russian companies to have clear goals and be flexible. Not to be ruled out is the adjusting of earlier contracts to today's legal realities in Iraq, as we now can see being done by LUKoil.

I ought to note the role of the Russian companies which had been behind the forming of the Russian-Iraqi Business Council for Economic Cooperation, which received support from the Iraqi leadership. For a third year now the Council has been trying to build, under adverse conditions, contacts between economic actors in both countries and create conditions for expanding business activities. Visiting Baghdad in January 2009, I exchanged views on the operation of the Council with the president, the premier and the foreign minister in Baghdad. I heard their positive views and requests for keeping up the high format of the bilateral dialogue and regularly comparing notes via this mechanism between the leadership, business elite and the political quarters in both countries.

The results of our contacts with Iraq's top leaders are generally encouraging, especially during the recent three years when President Talabani and other officials were persistently confirming Iraq's interest in the resumption of cooperation. I think that during our mission to Baghdad

we not only conveyed the message from the Russian government and business elite to Iraqi friends but also got in response signals of complete readiness to start up new mechanisms of interaction which, we hope, will soon produce tangible results.

Understandably, Russian businesses received direct invitations from the Iraqi leadership at a meeting of the Russian-Iraqi Business Council on 11 April 2009. Iraq is ready to guarantee the protection of Russian companies' investments in its economy, Premier Nouri al-Maliki announced. "We guarantee the protection of your investments in our economy," he said. He described his visit to Russia as historic and said it opened the way to further development of cooperation. "Iraq would like to renovate and build its entire infrastructure, step up oil and gas exports. Literally everything in Iraq is in need of renovation and development," said the Prime Minister. He averred that Iraq is going to create all the necessary conditions for the Russian companies and their participation in rebuilding the economy. "We have all it takes that you could work," said al-Maliki.

Trade and economic relations between Russia and Iraq have been going on for more than fifty years now. Before the war, Iraq was one of the key trade and economic partners of Russia in the Middle East. In 2001, Russia became Iraq's number one trade partner with trade between the two countries reaching \$2 billion. There is every precondition today to exceed this figure many times over. Iraq is in a position to harness a big amount of investments. It has to rebuild or build anew practically everything. Thus, this is a chance not to be passed up.

THE MAKING and the stable development of a new Iraq is radically changing its relationships with the neighboring countries and leading to a radical change in the alignment of forces in the region. Any change in this alignment will inevitably fuel competition between states, economies, faiths and groups of business interests. Of paramount importance for Iraq, of course, are its relations with Iran which also depend on future relations between this country and the USA. We can therefore suppose that it will not be easy to sustain the positive tendencies in Iraq. If the positive trend prevails, we can expect that the energy, transport and logistic relations in the region are going to become appreciably different from what they are now. These distinctions will be above all in evidence along the India-Iran-

Iraq-Turkey-Europe and European states-Iraq-Iran axes. For example, the restoration of the prewar pattern of supplies of Iraq's oil to India and the realistic expectations that India will begin to tap the gas resources in the region including Iraq will mark a very substantial change in the energy balance of entire Asia. One can therefore confidently expect some new approaches to the assessment of the potential of Iraq and the entire region; the tapping of this potential is not only in the interest of the region but also in the interest of Europe and neighboring Asian countries. Discussions of these subjects will keep intensifying as Iraq's state system grows stronger.

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