



AL-HASHEMI: ARREST WARRANT EXACERBATING SECTARIAN SPLITS

## Political crisis deepens in wake of US pullout

As US forces pull out, Iraq's political crisis is spiralling out of control. What should have been a profound moment for Iraq, as it gains full sovereignty for the first time since the 2003 invasion, has been marred by the interminable squabbling of the political elite, which is threatening once again to derail the political process and to divide the country.

Such squabbling is nothing new. It has paralysed the Iraqi political scene for well over a year and is rooted in the core power struggle that has been played out between **Ayad Allawi's Iraqiya** and prime minister **Nouri Al-Maliki's State of Law Alliance** since the elections of March 2010. The animosity is also rooted in Al-Maliki's continuing refusal to cede any real control to his

Sunni rivals, despite their election victory. The premier's near-obsessive centralising of power, as well as his insistence on keeping the security portfolios in his own hands, have served to polarise the two sides and to prevent them from working together.

Yet this time things have become even more serious and sectarian tensions have reached new levels. With American forces out of the way the gloves have well and truly come off and both sides are resorting to ever more reckless measures in a bid to outdo each other. They are so blinded by their animosity and distrust of one another that national interest is being subsumed by one-upmanship and communitarian politics.

Meanwhile, as the country's leaders squabble among themselves, the expected deterioration in the security situation following the withdrawal of US troops is being realised. As **Iraq Focus** was going to press, a string of bomb attacks rocked Baghdad, killing at least 60 people and injuring almost 200 more. This was clearly a big gesture attack that comprised 14 separate blasts in various locations including Karrada and Alawi. These attacks are a clear indication that the post-US phase is going to be very bloody indeed.

### Stirring up trouble

For its part, Iraqiya has been risking the country's future by backing the recent bids by some Sunni governorates to go it alone as

autonomous regions. Senior Iraqiya leaders came out strongly this month in support of the recent decision by the Diyala governing council to apply to become a separate region. Diyala's call to go it alone came on the back of that of Salehedinne, which is also seeking autonomy.

Given that ideologically the Sunnis have always been opposed to any suggestion of breaking up the country, Iraqiya's overt support for these calls is clearly an exercise in political point-scoring. The political bloc is using every possible opportunity to assert that what is driving these governorates towards separation is Al-Maliki's persistent and deliberate marginalisation of the Sunni population. It is also pinpointing his authoritarian ruling style as another factor >>>

### Leadership and policy

- > Political crisis deepens in wake of US pullout

### Politics and security

4

- > Al-Hashemi accused
- > Diyala: a region or not a region?

### The KRG

6

- > Violence in Zakho

### Energy industry

8

- > More attacks on energy infrastructure
- > Basra council challenges Shell deal
- > ExxonMobil contract still unresolved
- > Baker Hughes wins Zubair drilling contract

### Economy

10

- > Record 2012 budget ratified by cabinet

## Menas Associates

**Iraq Focus** is published monthly  
Sold by subscription only  
Produced by Menas Associates staff

**Managing director:** Charles Gurdon  
**Marketing manager:** Judy Hubbard  
**Production editor:** Miles Smith-Morris

ISSN 1741-1513  
© 2011 All rights reserved

Menas Associates Ltd  
4 Bloomsbury Square, Suite 8  
London, WC1A 2RP  
United Kingdom

+44 (0)20 3397 4311 Phone

info@menas.co.uk  
www.menas.co.uk

### Copyright

All information contained in this publication is copyrighted in the name of Menas Associates Ltd and as such no part of this publication may be reproduced, repackaged, redistributed, resold in whole or in any part, or used in any form or any means graphic, electronic or mechanical, including photocopying, recording, taping, or by information storage or retrieval, or by any other means, without the express written consent of the publisher.

### Disclaimer

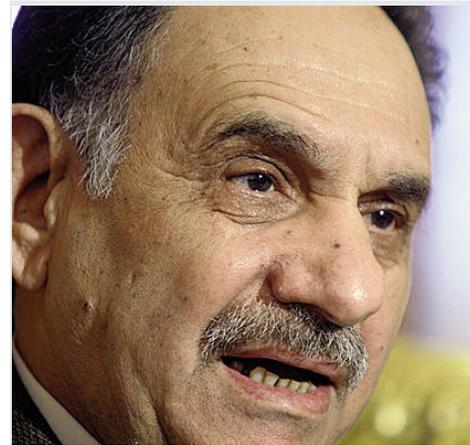
Menas Associates Ltd cannot ensure against or be held responsible for inaccuracies. To the full extent permissible by law Menas Associates Ltd shall have no liability for any damage or loss (including, without limitation, financial loss, loss of profits, loss of business or any indirect or consequential loss), however it arises, resulting from the use of any material appearing in this publication or from any action or decision taken as a result of using the publication.

pushing the Sunnis to try to break away from central control.

Yet, in its desperation to curb Al-Maliki and to force him to share power, Iraqiya is playing with fire. If these calls for autonomy gather momentum there is every possibility that Iraq may find itself a truly divided country. This is not something that Iraqiya or the country's Sunnis really want to see.

Al-Maliki, meanwhile, has been getting his own back by threatening and intimidating senior Sunni politicians. This month he called on parliament to impeach his deputy, **Saleh Al-Mutlaq**, after the Iraqiya MP accused him of being a dictator. Al-Mutlaq was barred from standing for the March 2010 polls in Al-Maliki's pre-election de-Ba'athification campaign and was only made an MP as part of the post-election bargaining. He issued the greatest insult by comparing the premier to **Saddam Hussein** while noting that at least the former Iraqi president had built something.

Demonstrating just how personalised and petty Iraqi politics has become, Al-Maliki retaliated not only by calling for Al-Mutlaq's impeachment but also by suspending the functions of his office and issuing an order preventing his deputy from even entering the cabinet building. The official reason given by the premier for his actions was



AL-MUTLAQ: AL-MALIKI TAKING REVENGE FOR 'DICTATOR' CHARGE

that Al-Mutlaq had committed administrative irregularities by travelling without informing him first. Yet it was clear to all and sundry that the prime minister was simply lashing out in revenge.

When it became clear to Al-Maliki that there weren't enough MPs present in parliament to carry out an impeachment vote, he changed tack and expelled Al-Mutlaq from his position. Although Al-Mutlaq's expulsion still has to be ratified by parliament, the prime minister once again showed his willingness to bypass the laws of the land by going ahead and nominating another candidate to replace him. In the interests of not appearing sectarian, Al-Maliki had to choose another Sunni as Al-Mutlaq's successor. However, he nominated **Kutaiba Al-**

**Jibouri**, a leader in the **White Iraqiya** group, a breakaway faction. This was a very deliberate ploy by Al-Maliki to weaken Iraqiya further and to undermine Allawi's authority within his own constituency.

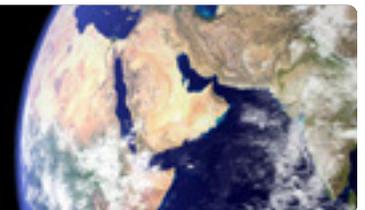
### Raising the stakes

More shockingly, Al-Maliki raised the stakes even higher by issuing an arrest warrant for another Iraqiya member, vice president **Tareq Al-Hashemi**. The warrant was issued after a number of Al-Hashemi's bodyguards were shown on television confessing that they had been ordered by the vice president to carry out a number of assassinations and bomb attacks in return for cash (see page 4). Al-Hashemi is sitting it out in the Kurdish region while Al-Maliki keeps demanding that he be handed over to face justice.

Unsurprisingly, the prime minister's move left Iraqiya and the rest of the Sunni camp reeling. They were already infuriated by the recent arrest campaign against former Ba'athists, viewing it as a deliberate sectarian act by the prime minister. The attempt to implicate Al-Hashemi in a number of terrorist operations was seen as yet another example of the premier's willingness to abuse his position for sectarian ends. For many Sunnis the premier's actions were the last straw in an ongoing 'witch hunt' aimed at destroying the Sunni camp. >>>

>>> Menas Associates: [www.menas.co.uk](http://www.menas.co.uk)

Visit our ever changing website. Now with built-in translation powered by Google



Iraqiya, which had already boycotted parliament over Al-Maliki's rejection of Diyala's bid to become autonomous and over his refusal to cede any power to it, responded to the news of Al-Hashemi's arrest by boycotting cabinet sessions. Its members also threatened to walk out of the government once and for all.

This is not the first time that Iraqiya has issued such a threat. In fact it has done little else but issue similar warnings over the past few months. Until now it had never dared to follow through, primarily because it feared that, were it to do so, the already factionalised coalition might fragment further. This time it seems that the bloc has been left with little choice. If Iraqiya is to retain any shred of dignity and credibility it has to go beyond its usual posturing and take a major stand against the prime minister.

The political impasse appears to have reached a point of no return and collapse of the power-sharing government is a real possibility. However, Iraqiya knows that its options are limited. Its withdrawal from the government would not be enough to bring Al-Maliki down. He and his **National Alliance** could continue to rule providing they are able to keep the Kurds on board.

As one senior Shi'ite MP exclaimed, "We will leave the door open for Iraqiya, but if they try to stop the political process, we will go ahead without them." Even Al-Maliki defiantly told a press conference on 21 December, "If Iraqiya's ministers do not show up at future [parliamentary and cabinet] sessions we will appoint replacements."

The prime minister would of course be under pressure to appoint Sunnis to these posts. However, Al-Maliki would be prepared for such an outcome. He has been busy of late courting the Sunni camp, trying to divide it further. An Iraqi journalist told **Iraq Focus** this month that the prime minister has been holding meetings with key Sunni tribes, offering them golden pistols and money in return for their support. This may explain some of his swagger.

Such an outcome would see the Sunnis completely marginalised from the political scene once again. Furthermore the Sunnis know they can't keep up their boycott of parliament forever. With important debates coming up, such as over the future of those governorates seeking autonomy, Iraqiya won't want to forgo its say in significant national issues.

However, in Iraqiya's favour is that - as things currently stand - the Kurds are not throwing their weight behind the prime minister. While they are not actually backing Iraqiya, the Kurds are clearly unhappy with Al-Maliki's attack on Al-Hashemi, and have made it clear they have no intention of handing him over. Al-Maliki's threats to them during his 21 December press conference - when he warned the Kurds that if Al-Hashemi escaped it would "create problems" - can hardly have helped. The Kurds are in no

mood to placate Al-Maliki and are almost as frustrated as the Sunnis with his way of running the country and his ongoing refusal to meet their demands.

The Kurds are unlikely to behave as they did in 2007 when Al-Maliki accused the leader of the **Al-Tawafiq** bloc - the only Sunni bloc in the government - of being involved in terrorism and arrested a number of its members. At that time the Kurds came out in full support of the premier, bolstering his position and ensuring he stayed in post.

This time Al-Maliki will not be granted such support. On top of the fact that they are fed up with him, the Kurds are also desperate for the continuation of the partnership government and want to continue to play the role of mediator. KRG President **Masoud Al-Barzani** has already declared that he wants to convene a special conference to try to get the two sides to resolve their differences. If he manages to do so, he may well try to reactivate the Barzani Initiative, the power-sharing agreement drawn up at the end of 2010.

However, this would most likely prove an unsatisfactory solution. Even if the Kurdish leader could get the two sides to agree again - something that is unlikely given the acrimony

between them and the bitterness on the part of Iraqiya at Al-Maliki's refusal to adhere to the original agreement - there is nothing to suggest that the two sides would actually keep to their side of the bargain. Rather, any agreement to reactivate the initiative would simply be another case of papering over the cracks in the interests of political expediency.

As such it may well be that, despite his posturing, Al-Maliki will ultimately be forced to back down. He knows what is at stake. He is aware that he cannot continue to alienate the Sunnis, not least because this would risk further demands by the Sunni governorates to become autonomous regions. The premier certainly does not want to be held responsible for the break-up of Iraq. In addition, he is under a lot of pressure, including from external actors, such as the Americans, not to force the collapse of the entire political process, something that would risk the country's being plunged back into sectarian strife.

Therefore, despite his repeated insistence that Al-Hashemi be handed back to Baghdad to face justice, once the initial storm has died down Al-Maliki may choose quietly to suspend Al-Hashemi's arrest warrant. However, he is unlikely to rescind it completely. He will want to be able to threaten to activate it whenever >>>



## Middle East Trade & Export Finance Conference

February 14-15, 2012 • Dubai, United Arab Emirates • Jumeirah Emirates Towers



For more information please visit [www.exportagroup.com](http://www.exportagroup.com) or contact Grant Naughton at [gnaughton@exportagroup.com](mailto:gnaughton@exportagroup.com)

15% discount code: **DUB4P**

he chooses. In such a scenario, Iraq is likely to find itself back in the same old political stalemate with its leaders dragging it through the coming months.

Whatever transpires, this whole episode is a damning indictment of Iraq's new political class. For all their pre-election claims of moving beyond sectarianism, Iraq's political elite has proven utterly incapable of overcoming sectarian differences. If anything such differences have become even more pronounced over the past 12 months as the various blocs have sought to undermine one another in the struggle for power.

This indulgence in sectarian politics is at odds with the Iraqi population, who for the most part seem to be trying to put behind them the sectarian differences that ravaged the country after the toppling of the former regime. Yet Iraq's politicians are clearly in no mood to listen.

The political class is more removed than ever from the Iraqi people; it seems to many Iraqis that it is operating in a bubble, far from the everyday concerns of most of the population. As one Iraqi journalist told *Iraq Focus*, "We, the Iraqi people, are little more than an audience to a farce being played out on stage."

## Politics and security

### Al-Hashemi accused

Despite telling a press conference in Erbil on 20 December that he was "shocked by all these things", **Tareq Al-Hashemi** can hardly have been all that surprised to learn that an arrest warrant had been issued in his name. The Sunni leader was well aware that he was in prime minister **Nouri Al-Maliki's** sights, not least because tanks and security officials had been stationed around his house and outside his office in the Green Zone for the past two months.

Furthermore, a few days before the warrant was issued, the vice president was stopped at Baghdad airport en route for Suleimania. Security forces told Al-Hashemi that he must either hand over a number of his personal protection team or face legal proceedings. Al-Hashemi chose the former option and seven of his personal security guards, including his son-in-law **Ahmed Khatan**, were arrested. Al-Hashemi was then permitted to travel to Suleimania, although it was rumoured that he was only able to do so after Al-Maliki had secured a promise from President **Jalal Talabani** that he would not allow his deputy to flee the country.

Then, on 19 December, the Interior Ministry organised a televised press conference at which three of Al-Hashemi's protection team were shown confessing to carrying out a host of attacks that they alleged had been ordered by the vice president.

**Ahmed Shoghi**, for example, confessed, "Tariq Al-Hashemi met me in his office and asked me to carry out a number of operations and he referred me to the head of his office. He handed me a pistol with a silencer and I carried out the first explosive operation in 2009 in the Al-Mustansaria neighbourhood. Al-Hashemi thanked me and gave me \$3,000 in return for carrying out the operation. Then he gave me the order to carry out another attack in Al-Nusoor Square to assassinate a member of staff in the Foreign Ministry."

**Karim Mohamed Al-Jibouri** meanwhile recounted how he and other guards would get a call to pick up an improvised bomb from Al-Hashemi's offices and plant it at a busy traffic circle or to assassinate an official. Al-Jibouri described how, "The vice president called us and he thanked us ... He gave us an envelope with money, and I thanked him." One of the men also alleged that Al-Hashemi was behind a plan to kill transport minister **Hadi Al-Ameri**, who is from the **Badr Organisation**, part of **Amar Al-Hakim's Islamic Supreme Council of Iraq (ISCI)**.

It was on the basis of these confessions that the Higher Judicial Council issued the arrest warrant according to Article Four of the Anti-Terrorism Law. It also issued a travel ban against Al-Hashemi. This is a serious business. Anyone found guilty under Article Four is liable to execution.

Unsurprisingly, Al-Hashemi furiously denied the charges. At the Erbil press conference he declared, "I swear to God that Al-Hashemi didn't commit any sin or do anything wrong against any Iraqi either today or tomorrow and this is my pledge to God." The vice president also blamed Al-Maliki, accusing the premier of cooking up the whole affair to embarrass him. He asserted, "Al-Maliki is behind the whole issue. The country is in the hands of Al-Maliki. All the efforts that have been exerted to reach national reconciliation and to unite Iraq are now gone. So, yes, I blame Al-Maliki."

Despite the apoplexy in the Sunni camp, the confessions were hardly shocking revelations for most Iraqis. There is a general assumption among the population that the country's political players are all involved in such practices. The repeated assertions by the security forces that attacks carried out are inside jobs have given rise to a widespread belief that all the political parties are sponsoring their own armed groups to carry out attacks for their own ends. Moreover, Al-Hashemi's past is hardly unblemished. The vice president was a key representative of the Iraqi resistance.

### Al-Maliki's fears

Regardless of whether there is any truth in the allegations, the whole affair has certainly >>>



been played up by Al-Maliki. The moves to arrest Al-Hashemi would appear to be an expression of intense frustration on the part of Al-Maliki, who has lost all patience with his Sunni rivals. **Iraqiya** has consistently blocked his efforts to consolidate power in his own hands and to run the country the way he wants.

To make matters worse, **Iraqiya** spoiled what should have been a moment of triumph for the premier. Al-Maliki expected to make a triumphant return from his recent visit to Washington, capitalising on his success in achieving the withdrawal of US troops. Whatever the uncertainty about Iraq's future, the prime minister hoped that this would be one way to bolster his fading popularity. However, his return was marred by the news of Diyala's bid for autonomy and **Iraqiya's** support for it. He must have viewed **Iraqiya's** actions as a deliberate stab in the back.

In addition, Al-Maliki has long been concerned that the Sunnis might mount a serious challenge to his leadership once US troops pulled out of the country. He has been making serious efforts to undermine and weaken the Sunnis. These began with the large-scale arrest campaigns carried out against suspected Ba'athists in recent weeks. These arrests have continued and, according to one of **Ayad Allawi's** aides, 30 members of **Iraqiya** have also been detained in recent weeks. The arrest warrant for Al-Hashemi would appear to be the culmination of these efforts, especially given that he has reportedly

> [www.menas.co.uk](http://www.menas.co.uk)

been mounting a case against the vice president for months.

Al-Maliki has also indicated that he feared he might be the target of some sort of coup by Sunni groups. Sheikh **Mohamed Al-Hindawi**, a leader in the Shi'ite **Al-Fadhila** party, announced this month that the security services had uncovered a major conspiracy by three armed groups linked to one of the political parties in the **Iraqiya** list to assassinate Al-Maliki and to take control of the Green Zone. The sheikh explained how one of the groups was intending to break into the prime minister's office to kill him, how another was going to control the Iraqi parliament and how a third was intent on controlling the Green Zone.

While this alleged plot might be contrived, the attack last month against the parliament gave the premier all the ammunition he needed to claim that there was a Sunni plot against him. While the November attack is believed to have been aimed at parliamentary head **Osama Najayfi**, Al-Maliki is now insisting that he was the real target. This month Baghdad Operations published the interim results of its investigation, which concluded that two terrorist groups from Al-Anbar and Baghdad were involved in the operation and that the target was the prime minister. **Iraqiya** has denounced these claims as ridiculous, not least because Al-Maliki was not in parliament on the day of the explosion. Moreover, Baghdad Operations is firmly under Al-Maliki's control.

It is clear therefore that the premier has been doing his utmost to clear the way and to preempt any bid by the Sunnis to try to assert

themselves in the post-US phase. Al-Hashemi's arrest warrant should be viewed in this light.

However, the move has clearly backfired. It has only served to harden feelings against the premier and to bring further accusations of dictatorial behaviour. His use of televised confessions is certainly reminiscent of the days of **Saddam Hussein** and blatantly undermines the judicial process. **Saleh Al-Mutlaq's** recent comments about the premier, in which he declared, "It's crisis after crisis ... Al-Maliki is controlling everything. Through his police, his army, his security measures. Everyone is afraid", probably resonate not only within the Sunni camp but far beyond.

It has also given the impression that Al-Maliki is singlehandedly destroying Iraq's delicate political balance. The affair is certainly the premier's most difficult challenge yet. Whether he will be able to work his way through this has yet to be seen. However, the whole episode is a sobering reflection on Iraq's first real attempt to stand on its own feet. With US forces out of the way, such acts are only likely to increase and will have the possibility to ignite further violence on the ground.

## Diyala: a region or not a region?

Following on from Salehedinne's recent decision to apply to become an autonomous region, this month Diyala opted to go down the same route. On 12 December, 15 members of the Diyala governorate council made an official petition to the central government to be permitted to hold

a referendum on becoming a separate region, which is something that is allowed under the 2005 constitution.

Diyala is a mixed governorate comprising Sunnis, Kurds and Shi'ites, although the Sunnis predominate. Notably, the 18 out of the 29 members in the governing council who voted in favour of autonomy were Sunnis and Kurds. The Sunnis were the most supportive of the idea of autonomy. The Kurds had only been persuaded to support the proposal after the Sunnis had promised to give the KRG the disputed district of Khanaqin that falls within the governorate.

While **Iraqiya** seized on the announcement, giving its full support to Diyala, in large part to support its own political agenda, the request was not well-received by prime minister **Nouri Al-Maliki**. Unsurprisingly, Al-Maliki was as hostile to Diyala's request as he was to that of Salehedinne - so much so that, according to the governor of Diyala, **Abdelnasser Al-Mehdawi**, members of the armed forces and the security services took to threatening officials in Diyala.

Diyala's request, meanwhile, was given the official thumbs-down by a special parliamentary delegation set up to look at the issue. Given that this delegation consisted largely of those who support the central government, such as **Hassan Al-Snaid**, a leader in Al-Maliki's **Al-Dawa** party, it was hardly surprising that the body rejected Diyala's call on the grounds that it might provoke a return to sectarian killings.

**Moqtada Al-Sadr** also came out against Diyala's move. This again is not surprising. Al-Sadr has always stood against Iraq's being broken up >>>

into regions and is vehemently opposed to the Sunnis breaking away from the central authorities. This is one issue where the two Shi'ite rivals, Al-Maliki and Al-Sadr, are completely on the same page.

### Protests in Baquba

However, it wasn't just Al-Maliki and his political colleagues who rejected the governing council's demands. The request prompted a major demonstration by angry Diyala residents, who had no intention of breaking away from the central authorities. Demonstrators, who comprised mainly Shi'ites from Diyala, but also Kurds and Sunnis, flooded into the governorate capital of Baquba and occupied the council building, threatening to set it on fire unless the council withdrew its request.

Some of the region's big tribes also came out to demonstrate against the autonomy plan. Tensions were so inflamed that some of the protesters even threatened to seize power from the governorate council. As **Jaafar Sadiq**, a Shi'ite tribal sheikh who was protesting, declared, "If the local government insists on its situation, we will form a transitional government ... and cancel the decision of the previous council, particularly declaring Diyala an independent region."

More ominously, a number of armed groups joined the protest and closed all of the main roads leading into Baquba, obstructing them with concrete blocks and tents. According to local reports, 60% of the main roads were closed, bringing the governorate to a standstill. The situation was so bad that goods couldn't get through and local markets ran out of food.

Things were also deemed serious enough for governor Al-Mehdawi and some members of the governorate council to flee to Kurdistan.

In response, the governing council's security committee declared a state of emergency and, fearing that the situation could escalate, called in back-up forces. These security forces went into the building and pulled out the protesters, using police batons and water cannon to disperse them. However, reflecting the passions that the topic engenders, the demonstrations continued for over a week.

### Council backs down

Although the situation was brought under control the angry response of local inhabitants was sufficient to force the governorate council to back down and retract its request. On 21 December the Diyala governor held a press conference in Khanaqin at which he announced that, in response to the will of the people, the council had decided to cancel its decision. However, while accepting the right to peaceful protest, the governor warned, "We can't remain silent about the killing and closing of roads throughout the days that followed the declaration of Diyala as an autonomous region."

The governor also made sure to remind Diyala inhabitants of exactly what they were undergoing at the hands of the Al-Maliki

government. He noted that there are some 16,000 individuals in Diyala who have arrest warrants over their heads and 2,000 civilians from the governorate who are in prison. He stressed too that the government had failed to deal with those armed groups who closed the roads and occupied official governorate buildings.

While the governor's announcement may have resolved the immediate crisis, such comments are unlikely to do much to calm sectarian tensions in the governorate, which is still one of the most volatile in the country. It is home to a number of armed insurgent groups, including those linked to **Al-Qa'ida**, and there is intense rivalry between some of the Sunni tribes there.

The Shi'ites are now coming to the conclusion that the governorate council is somehow doing the bidding of Saudi Arabia, which is being accused in some circles of being behind an effort to break Iraq up into regions.

Such sentiment extends beyond Diyala governorate. **Bahaa Al-Araji** of the Sadrist current issued a statement in response to the Diyala crisis that asserted, "The local government of the Diyala province is acting for factional or personal reasons or is following foreign agendas."

It is becoming increasingly clear that what started out as a genuine aspiration for autonomy in some governorates has now become little more than a political football. The issue of regionalism has been hijacked by all sides in the political arena and has been subsumed in the wider political clash that is being played out between the main blocs. As such the longer the political impasse continues, the more the calls for regionalism will grow.

## The KRG

### Violence in Zakho

The Kurdish region was shocked this month when violent riots erupted in the traditionally conservative governorate of Dohuk. The governorate has always been considered a staunch **Kurdistan Democratic Party** (KDP) area and the authorities have long deemed it one of the most secure parts of the region. This month, however, those assumptions were shattered when crowds of young men in the town of Zakho went on the rampage and attacked shops selling alcohol as well as massage parlours, hairdressers and tourist hotels.

The youth began their attacks on 2 December after a particularly fiery Friday sermon by >>>

the imam of the Majawli mosque, **Mala Ismail Sindi**, in which he attacked massage parlours and liquor stores, denouncing them as un-Islamic. Following the sermon some 50 young men emerged from the mosque and started chanting slogans against what they described as “vices” and “pornography”. As their numbers increased, the youth started attacking shops and other centres of ‘immorality’. It wasn’t long before similar unrest erupted in the governorate capital of Dohuk, as well as in the **Patriotic Union of Kurdistan** (PUK)-controlled Suleimania.

Most of the attacks were on businesses owned by Assyrian Christians, who control the alcohol trade in the area. One victim was **Fahmi Yousef Mansour**, whose beer storage unit was torched. Mansour claims that a mob of 2,000 youths had attacked the unit, costing him some \$500,000. This estimate of the number of young people involved would appear to be rather exaggerated. The head of Zakho civil defence, **Othman Saadi**, claimed that the number of attackers was more like 100. The truth probably lies somewhere in between.

However, this was by no means a minor incident. In total the crowds attacked 36 liquor stores and four large hotels that house nightclubs, as well as Asian and local massage centres. Businesses owned by Yazidi Kurds were also targeted. **Khalid Bozani**, a Yazidi Kurd and owner of a bar in Duhok, told the local media that the riots in the province damaged his business by nearly \$350,000. In fact according to the deputy of the **Popular Committee for the Assyrian and Chaldean Christians**, **Johnson Sayawish**, the situation in Zakho became “completely out of control.”

Although labelled an Islamist uprising against Christians and other minorities, the violence seems to have been more of an expression of general discontent. According to local sources, most of those involved were under the age of 15 and most had no or very little schooling. Given the very real socio-economic problems in the area that include unemployment and the soaring cost of housing, medical treatment and even getting married, resentment has been building for some time.

There is a particular anger at the fact that places such as Zakho never seem to see any of the wealth that has flooded into the regional capital Erbil. As business has boomed in the capital following the fall of the **Saddam Hussein** regime, the wealth gap has increased significantly, leaving many of the outlying regions feeling more marginalised than ever.

In addition there is a perception among some of the region’s youth that the Christian community is protected by the authorities and is making money as a result, while the region’s Muslims are struggling to make ends meet. There is a sense too that the Christian community, many of whom flooded into the Kurdish region in recent years in a bid to escape persecution in other parts of Iraq, are outsiders making money out of the locals. The imam’s words were simply the spark that ignited the fire and Zakho’s youth were already clearly ready to explode.

### Al-Barzani steps in

The trouble was deemed serious enough for the KRG President **Masoud Al-Barzani** to travel to Zakho to try to calm tensions. Al-Barzani also issued a statement in which he declared,

“Unfortunately on Friday some imams and a group of youth committed unlawful acts and caused instability in Zakho ... They attacked some tourist locations especially those of Christians and Yazidis.” He also added that the attacks had been pre-planned. Given what was at stake in a traditionally loyal area Al-Barzani also decided to put *peshmerga* forces on high alert.

The furious president also accused local scholars of encouraging the youth to commit acts of violence, something the Awqaf (Religious Affairs) Ministry rejected with great indignation. However, Al-Barzani was clearly in no mood to compromise and vowed to punish those responsible as well as those who took part in the unrest. More controversially the authorities arrested 20 members of the Islamist opposition party, the **Kurdistan Islamic Union**, (KIU) accusing it of being behind the trouble.

The KIU denied that it had anything to do with the violence in Zakho, declaring, “The Islamic Union does not have any preachers in that city to justify the violence.” Although the party’s denial did not convince many, not least because, about two weeks prior to the riots it had aired a series of shows on its radio and television stations attacking massage and liquor stores in Zakho; according to some reports, the manager of the **Habur** television channel, which is affiliated with the union, was spotted among the angry mob. Nevertheless, the KIU insists that it is being scapegoated by the ruling party.

The union also accused the KDP of being behind a series of attacks against its offices. During counter demonstrations against the first bout of



BAHADDIN: HOLDS KDP RESPONSIBLE FOR ATTACKS ON OFFICES

violence, protesters attacked and set fire to at least six offices belonging to the KIU. The union immediately pointed the finger at the KDP and issued a statement which read, “We have witnessed attacks on our 13th and third branches as well as our Spede TV and radio stations in Simel by supporters of a party that is in charge of the area.”

Similarly, **Salahaddin Bahaddin**, the secretary-general of the union, commented, “Yesterday’s events ... didn’t have anything to do with the Islamic Union ... Those events are scenarios to kill any chance of reform and peace. Therefore we hold the KDP, Kurdistan’s presidency and the government responsible for those attacks on our offices and we will take matter to court.”

It wouldn’t be the first time that the KDP had engaged in such underhand tactics. Twelve members of the KIU were killed in 2005 in what are believed to have been KDP-orchestrated attacks. Opposition party **Goran**’s offices were also set alight in 2009. >>>

The KIU believes the KDP has used the Zakho unrest as an excuse for another attack on it in its bid to weaken the opposition parties, which are becoming a growing irritant and for the first time in the region's history are mounting a serious challenge to two-party domination. The opposition is viewing these events as another example of the KDP's heavy-handedness and its refusal to play by the political rules. It also believes that the KDP is engaging in such acts to deflect attention from the serious issue of reform. The KDP has catapulted what started out as a local issue into a major political crisis.

### Growing tensions

The Zakho affair has certainly increased the tensions that already existed between the ruling parties and the opposition. Despite talk that the KDP is trying to lure some of the opposition into its next government, these events have left both sides more entrenched than ever. They have also made the prospect of the opposition's agreeing to be part of the next government even less likely.

As one representative of the Islamic Union, **Farhad Mala Salih**, exclaimed, "What happened will hurt the talks to form the next government. We hoped we wouldn't reach this point. If the other side [KDP] committed those acts because we reached a deadlock in talks on forming the next government, then that was a hasty decision because our government-formation talks were just at their early stages. We and other parties were supposed to meet one of these days to discuss that issue. We were to discuss it seriously. So we believe that these incidents will impact our participation in the next cabinet."

At the time of writing, at least 13 members of the KIU were still being held by the authorities. The union is insisting that it will not engage in any talks with the KDP until all its members have been freed.

While the KDP may be busy with its political manoeuvring and its battle with the KIU, the unrest in Zakho should serve as serious food for thought for the ruling party. The fact that the violence erupted in what had always been considered a loyal KDP heartland is a serious wake-up call for the party leadership, which has been complacent towards the area, taking its support for granted.

Regardless of who stirred up the violent events, the reality on the ground is that a section of the governorate's youth is disaffected and feels marginalised by the powers that be. The KDP's usual trick of relying on its glorious past as leader of the liberation struggle probably won't wash with this new generation. If the KDP doesn't take some serious action to tackle the development imbalance in the region, it could well face further bouts of unrest down the line.

## Energy industry

### More attacks on energy infrastructure

As expected, the withdrawal of US troops has been accompanied by further attacks on Iraq's energy infrastructure. Following on from the string of attacks over recent months, in

December output at the southern Rumaila field, operated by **BP** and **China National Petroleum Corporation**, was halved to about 700,000 b/d after a bombing on the pipeline network. Three bombs hit the pipes that carry crude from Iraq's southern fields to storage tank facilities in Basra. Although the fire that was caused by the explosions was put out the morning after the attack, winds reignited it soon afterwards, causing further disruption.

Although the damage did not affect oil exports from Basra, the attacks were another indication of the volatility of the security situation and of the fact that militant groups are still bent on disrupting the energy industry. Despite the fact that Iraq's oil police have stepped up patrols to protect installations in the light of the US troop withdrawal, further attacks are likely as various groups seize the opportunity to assert themselves. As Major General **Hamid Ibrahim**, the head of Iraq's energy protection, told the **Reuters** news agency even before the withdrawal began, "There is direct targeting of the oil sector ... By the start of the withdrawal there will be attacks not just on oil, but they will try to unsettle the situation in the country."

While the general assumption is that these attacks are being carried out by insurgent groups, some Iraqis have looked further afield.

The deputy leader of the Basra governorate council accused neighbouring countries of being behind the attacks. The official declared, "Some of the neighbouring countries are targeting the oil sector to weaken Iraq economically and to weaken its regional role." A senior police officer in Basra reiterated such claims, asserting, "Every

time Basra moves a step ahead they [foreign neighbours] want to push it back a mile."

Others meanwhile have accused private security firms of being behind the assaults. One member of the Parliamentary Committee for Security and Defence declared this month that private security firms were directly implicated in the Rumaila explosions because they wanted to "stay in the country by doing subversive acts and blackmail operations". The committee member asserted that these security firms wanted to send a message to international oil companies that they would be unable to operate in the south in the wake of the US withdrawal unless they employ private security firms for protection. Such assertions are clearly ideologically driven, given that many Iraqis see the hand of the US in everything bad that happens to the country.

Some political players, meanwhile, have used the attacks to undertake some political point-scoring. **Suzan Saad**, an MP from the **Al-Fadhila** party, which is part of the **National Alliance** and draws most of its supporters from Basra, laid the blame for the attacks squarely at the door of the government and the head of the Southern Oil Police.

Saad stated at a news conference this month, "There is a need for the government to follow up on the activity of the Police Directorate and to assign the running of its administration to competent persons ... Responsibility for the continued attacks against the oil-pumping pipelines by subversive elements lies with the Ministry of Oil and the Directorate-General of the Oil Police." >>>

The MP also called for the opening of an investigation into the attacks and the replacement of the head of the Southern Oil Police.

Yet, politicking aside, security is clearly still a major issue and the country's energy infrastructure will remain vulnerable for the foreseeable future. Moreover, despite reassurances by the deputy prime minister for energy affairs, **Hussain Al-Shahrastani**, that the attacks were not targeted specifically against foreign oil companies, it is not inconceivable that international oil firms could become targets should the situation deteriorate in a major way. If the political scene degenerates to a point of no return and the country starts to slip back into serious sectarian strife, such a scenario is not beyond the realms of possibility.

## Basra council challenges Shell deal

The contentious deal struck between **Royal Dutch Shell, Mitsubishi** and the Oil Ministry at the end of November to set up the Basra Gas Project, a joint venture to capture and process gas in the southern oil fields, is already facing challenges.

Just as the deal was signed, officials from the Basra provincial council filed a lawsuit against the Oil Ministry demanding that the contract be cancelled. The council had already objected that it had been excluded from talks on the deal. However, spurred on by the current push towards regionalism in various parts of Iraq, the

council is digging its heels in further. **Sabah Al-Bazouni**, the head of the council, declared this month, "In principle, we don't have any problem with developing the gas but when the contract is signed, there has to be an article that shows the provincial council has agreed ...

Unfortunately, we did not know anything about this contract." Raising the stakes for prime minister **Nouri Al-Maliki**, Al-Bazouni also threatened, "Basra is the most suitable province to become an autonomous region."

Although Basra's demands that the government cancel the Shell deal are unlikely to cut much sway with the central authorities, they are an irritant and a reminder that investing in Iraq means coming up against a range of potential spoilers who will hijack deals for political ends. The situation is made all the worse by the continued absence of a national oil and gas law, which despite the promises and agreements made in recent weeks, still looks to be a long way off.

Meanwhile, workers at **South Oil Company** are increasingly impatient and anxious about Shell's intentions concerning employment contracts for the project. Although the Basra Gas Project has 360 days before it has to begin work on the venture, worried workers are already trying to lay down conditions. They are demanding that they be treated in the same way as workers employed by Shell and that they be given similar rights and rewards to those Iraqis who have been contracted by international oil companies that won bids in previous licensing rounds.

The Oil Ministry has tried to allay these fears, reminding workers that, under the contract,

Iraqis have to comprise at least 80% of the workforce. It is also stressing that the role of Shell and Mitsubishi is primarily advisory and that the foreign companies will serve as "guides" to the main projects.

However, given the anxieties, it is possible that, if things are not sorted out quickly, the workers may well resort to some sort of industrial action to ensure they do not lose out.

## ExxonMobil contract still unresolved

The controversy over **ExxonMobil's** deal to explore six blocks in the KRG (see **Iraq Focus** November 2011, page 1) continues to create friction. Unsurprisingly, there is still strong and united resistance in Baghdad to ExxonMobil's bid to work in the Kurdish part of the country.

Despite the fever-pitch levels of antagonism between the main political players, **Iraqiya** came out on the side of prime minister **Nouri Al-Maliki** in this case and insisted that exploration for oil in Iraq is the monopoly of the central government. It also declared that the KRG's signing of the ExxonMobil deal was a "violation of the constitution". Indeed the powers in Baghdad are continuing to put on a solid show of resistance, publicly at least, to any suggestion that the US firm might get away with working in both places.

Al-Maliki has also been keen to demonstrate that the oil major is bending to his wishes. He announced this month that he had held a meeting during his December visit to

Washington with ExxonMobil CEO **Rex Tillerson**, who had promised to "study the subject again". The premier also told the *Wall Street Journal* just before his Washington trip that ExxonMobil had frozen its deal with the Kurdish authorities.

Al-Maliki also declared, "now the contract is frozen and we will try to find a formula to remedy it". However, the prime minister's proposed formula is clearly unworkable. He stated that the only way that the deal could work would be if "Exxon comes back and negotiates with the Ministry of Oil in the presence of a representative of the Kurdistan region". While such comments, as well as those in which he stated that Exxon's contract in the West Qurna field would not be cancelled, are a kind of compromise gesture, given the tensions between Baghdad and Erbil on this matter the possibility of such a scenario actually working out is highly unlikely.

Meanwhile, the Kurds have denied all talk that the ExxonMobil deal is on hold. On 13 December a senior source in the Kurdish Natural Resources Ministry stated that Exxon was continuing its work in Kurdistan and that all information to the contrary was false and little more than propaganda put out by the Oil Ministry in Baghdad. Clearly both sides are unwilling to give up on their Exxon contracts.

The Kurds are desperate not to lose such a prize investor and will do their utmost to convince the US firm to push ahead. As for Al-Maliki, while the premier does not want to lose the US oil giant, he knows that he cannot simply give in and accept the idea of ExxonMobil working in the KRG as well as elsewhere in Iraq. >>>

However, while important, the issue is not at the top of Al-Maliki's agenda right now. As explained above, the premier is utterly bogged down by the political crisis that has engulfed the country. As such the ExxonMobil affair may well drag on well into the new year and beyond.

## Baker Hughes wins Zubair drilling contract

It was reported this month that US oil services company **Baker Hughes** has been awarded a \$640 million contract to drill 60 wells in the Zubair field in the south of Iraq. The field is operated by an Eni-led consortium that also includes **Occidental** and **Korea Gas Corporation**.

Oil Ministry spokesman **Ali Al-Dabbagh** announced that the cabinet had approved a recommendation by the Oil Ministry to award the three-year contract to Baker Hughes.

## Economy

### Record 2012 budget ratified by cabinet

Despite all the political wrangling, Iraq's cabinet succeeded in ratifying the 2012 budget at the start of December. At ID117 trillion (\$100 billion), this is the country's biggest budget yet.

The sums are based on an average oil price of \$85 a barrel and an export capacity of 2.6 million b/d, which includes the 175,000 b/d produced and exported by the KRG.

The budget deficit is estimated to be ID17 trillion, to be covered through a range of options. These include using a \$10 billion surplus from the **Iraqi Development Fund** established in 2003, as well as money left over from the 2011 budget. The rest will be covered from internal borrowing or from borrowing from the International Monetary Fund (IMF) or the World Bank. However, the Iraqi authorities expect an increase in the price of oil and in production, both of which will help cover some of the outstanding amount.

Of the total amount, ID37 trillion (almost 35%) is to be spent on investment, while the remaining ID80 trillion will go on operational costs. Sixty per cent of the investment budget will go towards the oil and electricity sectors, as well as regional development.

The budget has won praise from IMF managing director **Christine Lagarde**, who commented, "The proposal aims to restrain the growth of current spending, thus freeing up resources for infrastructure investment and social support, while limiting the size of the budget deficit".

However, there is still some way to go before the budget is approved by parliament. As ever there are numerous factions already objecting to it. Unsurprisingly, this includes the Kurds, who

## 2012 budget breakdown

SECTOR	AMOUNT (ID TRN)	% OF OVERALL BUDGET
Security and defence	17.60	14.6
Education and Higher Education	11.47	9.8
Energy	20.46	17.5
Environment and Health	5.71	4.9
Social Services	15.54	13.3
Water and sewerage	13.86	3.3
Transport and communications	1.13	1.0
Agriculture	2.41	2.1
Industry	1.42	1.2
Reconstruction and housing	1.14	1.0
Culture, Youth, clubs and unions	2.31	2.0
International obligations and debts	9.37	8.0
Central and local administration	12.46	10.7
Other (sovereign costs)	Undisclosed	13.0

are frustrated that they will be getting their usual 17%, which amounts to some ID12.6 trillion .

Members of other blocs have also objected. One **Iraqiya** MP for example has described the budget as "disappointing" because the funds allocated for state sector employment will not be sufficient to absorb the 180,000 graduates who enter the labour market every year. The MP also criticised the fact that there was no allowance for an increase in pensions.

Others have claimed that yet again operational spending is too high. There is a serious concern about how much of the country's money is eaten up in costs related to the running of ministries and the three presidencies. Security of course also takes a major chunk of the country's revenue.

Given the ongoing tensions between the two sides, not to mention the fact that Iraqiya is still boycotting the parliament, ratification of the 2012 budget looks set to be delayed.

# Free samples of Menas' Focus publications ...

## Order Form

Menas Associates executive briefings are distributed in PDF format by e-mail. Corporate subscriptions can be sent to an unlimited number of individuals within your organisation, on receipt of their e-mail addresses.

Subscriptions include access via a user name and password to Menas' e-library where all of the previous issues, plus additional valuable databases, can be viewed or downloaded.

Please send me a **free** sample copy and full details of the following subscription(s):

- Algeria Focus
- Brazil Focus
- Caspian Focus
- Iran Strategic Focus
- Iraq Focus
- Libya Focus
- Nigeria Focus
- Sahara Focus (quarterly)
- Vietnam Focus
- Yemen Focus

Name \_\_\_\_\_

Company/Organisation \_\_\_\_\_

Title/Position \_\_\_\_\_

Business/Interest \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Phone \_\_\_\_\_

Fax \_\_\_\_\_

E-mail \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

### **Menas Associates Ltd**

4 Bloomsbury Square, Suite 8  
London, WC1A 2RP  
United Kingdom

+44 (0)20 3397 4311 Phone

info@menas.co.uk  
www.menas.co.uk

**IQF1211**