

MEED

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## Iraq

### New pipeline brings optimism to Baghdad

IN MORE ways than one, Iraq achieved its goals in 1985: more oil flowed through a new export pipeline; Baghdad carried the Gulf war to Iran; and Iraqi footballers swept aside the Syrians to reach next year's World Cup finals. Victories over ideological rivals are perhaps to be cherished — but it is the government, rather than the football fan, that has cause for optimism in 1986.

The Iraqis still pose a considerable threat on Iraq's eastern borders, and Baghdad ends 1985 as it began the year, awaiting a major Iranian offensive. In March, the Iraqi army again succeeded in holding a fierce Iranian assault which managed to cross the Tigris and cut briefly the main Baghdad-Basra road just south of Amara.

Baghdad has threatened to "crush" any forthcoming attacks, but diplomats in the capital warn against complacency, fearing that new Iranian tactics of short, sharp commando-type attacks, may be

sapping morale in the marshes.

The government has been more aggressive in taking the war to Iran, after Basra was heavily shelled in March and Baghdad suffered rocket and sabotage attacks. There were air raids on Tehran, and by September, air attacks on Iran's Kharg island oil export terminal were being pressed home with greater regularity and with some success. President Saddam Hussain said his government was now more determined to hit the "pillars of the Iranian economy."

Nevertheless, Baghdad still hopes Iran can be brought to the negotiating table. Despite relatively successful consolidation of the economy following the disastrous years of 1982 and 1983, the war continues to drain both labour and financial resources.

Estimates put the cost of the war at around \$5,000 million a year. Although the development programme has been slowed, and many large projects have now been completed, the necessity to repay contractors who agreed to defer foreign currency payments in 1983 and 1984 remains a burden. In 1985, payments to France, and on the 1983 \$500 million Euroloan, were made on time, but Baghdad was unable to make payments due to

the Japanese, Indians and West Germans.

Negotiations with these countries secured a further deferment — in the case of Japan, for \$400 million over a further two years. Yugoslavia and East Germany agreed to take oil in part-payment for debts due in 1985. Revenues should increase in 1986 assuming oil prices stay steady, but there are still fears that Baghdad may have to seek further reschedulings in the coming year.

However important it is for the Central Bank of Iraq that such agreements are reached, it is also important for the government to maintain satisfactory relations with those countries which are prepared to make funds available to support new project work.

At present, Iraq has about \$1,200 million worth of Japanese credit, \$500 million each from Italy and Yugoslavia, around \$430 million in uncommitted credit which the UK government has agreed to carry over into 1986, and \$200 million from East Germany. Austria may well extend an existing credit, and some countries, such as France and Spain, are prepared to extend credit on a case-by-case basis.

In October, Rafidain Bank signed a \$500 million Euroloan, arranged by Bahrain's Gulf International Bank (GIB). The five-year loan will be used to finance foreign trade and development projects.

The government appears to have spent wisely on development in 1985, concentrating on improving the standard of living through projects in water supply, electrification, transport, oil, fertilisers, irrigation and housing. Negotiations are also under way for several major projects, including the Basra water supply network and the \$2,000 million Bekme dam, the country's largest scheme.

Building up the social infrastructure — water and sewerage, power, health and education — is expected to be the cornerstone of the 1986-90 five-year plan. Future investment in water supply has been targeted at a massive \$3,365 million. The power generation programme — ranging from new 1,200-MW power stations to rural supply — is already under way.

According to First Deputy Premier Taha Yassin Ramadan, the government has prepared two parallel development plans. One assumes that the Gulf war ends in two years, the other that it continues indefinitely. In 1986, Ramadan expects that Iraq will redouble its efforts to expand trade and economic co-operation with friendly countries. Priority in

the 1986 trade plan will continue to go to projects and goods which serve the war effort.

Earlier in 1985, Ramadan said that the end of the year would "mark the end of all difficulties and the repayment of all debts." In November, he said that Iraq had succeeded in overcoming its hard financial circumstances: the economy was picking up thanks to the export of oil via Saudi Arabia.

IPSA 1 — the 500,000-barrel-a-day (b/d) first stage of the Iraqi pipeline across Saudi Arabia — provided the government with a major fillip in October when it started to pump oil to the Red Sea port of Yanbu. The second stage is expected to go to tender in 1986.

Contracts to build a second export pipeline across Turkey were awarded in November to an Italian/Turkish group of Saipem, Tekfen and Kutlutas. Completion is expected in 18 months. The total export capacity through Turkey will then reach 1.6 million b/d. The proposed export pipeline across Jordan to Aqaba also appears to be still under consideration.

Oil production capacity has now reached pre-war levels of 4 million b/d. The 1.2-million-b/d OPEC quota is ignored; the government will produce and sell as much as it can. Additional production will enable it to sell gas to Kuwait — a deal which could be worth about \$500 million a year — as well as produce more gas for domestic consumption. Exports of liquefied petroleum gas (LPG) through Turkey are also contemplated.

## Jordan

### Still troubled, but basis for recovery is laid

JORDAN'S mildly expansionary 1985 budget was designed to ease the economy out of a two-year recession. It failed to do so — but at least the groundwork has been laid for improvement during the next few years.

Expatriate remittances and development aid have held up, but Arab aid continues to fall: only Saudi Arabia pays its full commitment as pledged at the 1978 Baghdad summit. Trade still suffers from the weakness of the Iraqi market, and the private sector remains depressed. There has been continuing reluctance to invest on the sluggish financial

## GOVERNMENT OF IRAQ

**Head of State, Prime Minister and Chairman of Revolution Command Council (RCC)** President Saddam Hussain

**RCC Vice-chairman** Izzat Ibrahim

**Vice-president** Taha Mohieddin Maarouf

### Cabinet

**First Deputy Premier** Taha Yassin Ramadan

**Deputy Premier, Foreign Affairs** Tariq Aziz

**Deputy Premier, Defence** Adnan Khairallah

**Education** Abdel-Kadir Izzadin

**Higher Education & Scientific Research** Samir Mohammad Abdel-Wahab

**Justice** Munzer Ibrahim

**Finance** Hisham Hasan Tawfiq

**Housing & Construction** Mohammad Fadel

**Trade** Hasan Ali

**Irrigation** Abdel-Wahab Mahmoud Abdullah

**Labour & Social Affairs** Bakr Mahmoud Rasoul

**Interior** Saadoun Shaker

**Culture & Information** Latif Nasif al-Jassem

**Transport & Communications** Abdel-Jabbar Abdel-Rahim al-Asadi

**Industry & Minerals** Subhi Yassin Khudeir

**Oil** Qassem Ahmad Taqi al-Uraibi

**Planning** Samal Majid Faraj

**Youth Affairs** Nouri Faisal Shaher

**Agriculture & Agrarian Reform** Sadiq Abdel-Latif Younis

**Health** Sadiq Hamid Alloush

**Local Government** Adnan Daoud Salman

**Awqaf (Religious Endowments)** Abdullah Fadel Abbas

**Light Industries** Tareq Hamad al-Abdullah

**Chairman of the National Assembly** Saadoun Hammadi