

Chapter 2. The Society and Its Environment



Reed huts in the marshes of southern Iraq

IRAQI SOCIETY IS COMPOSED of sizable and distinct social groups with differences and divisions that have been only slowly and fitfully challenged by the emergence of a strong, centralized political regime and a state apparatus. There are, moreover, regional and environmental differences between the scattered mountain villages for which the economic base is rain-fed grain crops and the more densely populated riverine communities to the south that depend on intricate irrigation and drainage systems for their livelihood.

There are also linguistic and ethnic differences. The most important exception to the Arab character of Iraq is the large Kurdish minority, estimated at 19 percent of the population, or 3,092,820, in 1987. According to official government statistics, Turkomans and other Turkic-speaking peoples account for only 2 to 3 percent of the population. There was previously a large Iranian population settled around the Shia (see Glossary) holy cities of Karbala and An Najaf, and the southern port city of Basra; this element was largely expelled by government decree in 1971-72 and in 1979-80; by 1987 only an estimated 133,000 of the Iranian population remained.

Divisions along religious lines are deep-rooted. Although at least 95 percent of Iraq's population is Muslim, the community is split between Sunnis (see Glossary) and Shias; the latter group, a minority in the Arab world as a whole, constitutes a majority in Iraq. Of the non-Muslim communities, fragmented Christian sects do not constitute more than 1 or 2 percent, concentrated mainly in the governorates of Nineveh and Dahuk. A formerly extensive Jewish community is to all practical purposes defunct. The establishment of the State of Israel in 1948 and the defeat of the Arab armies in 1948 to 1949 rendered the situation of Iraqi Jews untenable and led to a mass exodus, both to Israel and to Iran, in 1950.

Just before the Iran-Iraq War (1980-88), the sharp cleavage between the rural and the urban communities that had formerly characterized Iraqi society had begun to break down as a result of policies instituted by the government. The war has accelerated this process. Large areas of the rural south have been devastated by continuous fighting, which in turn has triggered a massive rural migration to the capital. In the late 1980s, Iraqi and foreign observers agreed that, for the nation's economic health, this flight from the countryside would have to be reversed, and they anticipated that

the government would undertake measures to accomplish this reversal once the war ended.

Geography and Population

Boundaries

Iraq's border with Iran has been a continuing source of conflict, and it was partially responsible for the outbreak in 1980 of the present war. The terms of a treaty negotiated in 1937 under British auspices provided that in one area of the Shatt al Arab the boundary would be at the low water mark on the Iranian side. Iran subsequently insisted that the 1937 treaty was imposed on it by "British imperialist pressures," and that the proper boundary throughout the Shatt was the thalweg (midpoint). The matter came to a head in 1969, when Iraq, in effect, told the Iranian government that the Shatt was an integral part of Iraqi territory and that the waterway might be closed to Iranian shipping.

Through Algerian mediation, Iran and Iraq agreed in March 1975 to normalize their relations, and three months later they signed a treaty known as the Algiers Agreement. The document defined the common border for the entire length of the Shatt estuary as the thalweg. To compensate Iraq for the loss of what formerly had been regarded as its territory, pockets of territory along the mountain border in the central sector of its common boundary with Iran were assigned to it. Nonetheless, in September 1980, Iraq went to war with Iran, citing among other complaints the fact that Iran had not turned over to it the land specified in the Algiers Agreement. This problem has subsequently proved to be a stumbling block to a negotiated settlement of the ongoing conflict.

In 1988 the boundary with Kuwait was another outstanding problem. It had been fixed in a 1913 treaty between the Ottoman Empire and British officials acting on behalf of Kuwait's ruling family, which in 1899 had ceded control over foreign affairs to Britain. The boundary was accepted by Iraq when it became independent in 1932, but, in the 1960s and again in the mid-1970s, the Iraqi government advanced a claim to parts of Kuwait. Kuwait made several representations to the Iraqis during the Iran-Iraq War to fix the border once and for all, but Baghdad has repeatedly demurred, claiming that the issue is a potentially divisive one that could enflame nationalist sentiment inside Iraq. Hence, in early 1988, it was likely that a solution would have to wait until the war ended.

In 1922 British officials concluded the Treaty of Mohammara with Abd al Aziz ibn Abd ar Rahman Al Saud, who in 1932 formed

the Kingdom of Saudi Arabia. The treaty provided the basic agreement for the boundary between the eventually independent nations. Also in 1922, the two parties agreed to the creation of the diamond-shaped Iraq-Saudi Arabia Neutral Zone of approximately 3,520 square kilometers adjacent to the western tip of Kuwait in which neither Iraq nor Saudi Arabia would build permanent dwellings or installations (see fig. 1). Beduins from either country could utilize the limited water and seasonal grazing resources of the zone. In April 1975, an agreement signed in Baghdad fixed the borders of the countries. Despite a rumored agreement providing for the formal division of the Neutral Zone, as of early 1988 such a document had not been published. Instead, Saudi Arabia was continuing to control oil wells in the offshore Neutral Zone and had been allocating proceeds from Neutral Zone oil sales to Iraq as a contribution to the war costs.

Major Geographical Features

Most geographers, including those of the Iraqi government, discuss the country's geography in terms of four main zones or regions: the desert in the west and southwest; the rolling upland between the upper Tigris and Euphrates rivers (in Arabic, the Dijlis and Furat, respectively); the highlands in the north and in the northeast; and the central and southeastern alluvial plain through which the Tigris and Euphrates flow (see fig. 5). Iraq's total land area is variously given as 433,970 and 437,520 square kilometers.

The desert zone, an area lying west and southwest of the Euphrates River, is a part of the Syrian Desert, which covers sections of Syria, Jordan, and Saudi Arabia. The region, sparsely inhabited by pastoral nomads, consists of a wide, stony plain interspersed with rare sandy stretches. A widely ramified pattern of wadis—watercourses that are dry most of the year—runs from the border to the Euphrates. Some wadis are more than 400 kilometers long, and they carry brief but torrential floods during the winter rains.

The uplands region, between the Tigris north of Samarra and the Euphrates north of Hit, is known as Al Jazirah (Arabic for the *island*), and it is part of a larger area that extends westward into Syria, between the two rivers, and into Turkey. Water in the area flows in deeply cut valleys, and irrigation is much more difficult than it is in the lower plain. Much of this zone may be classified as desert.

The northeastern highlands begin just south of a line drawn from Mosul to Kirkuk, and they extend to Iraq's borders with Turkey and Iran. High ground, separated by broad, undulating steppes,

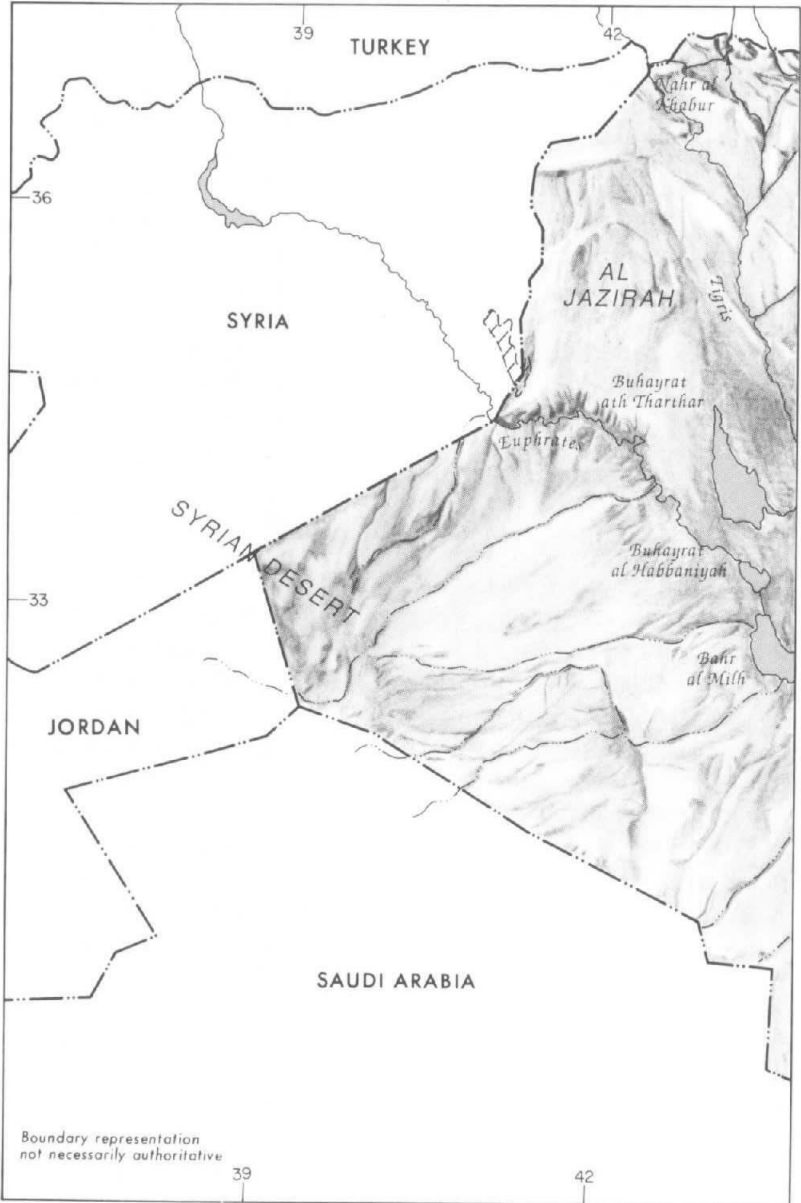
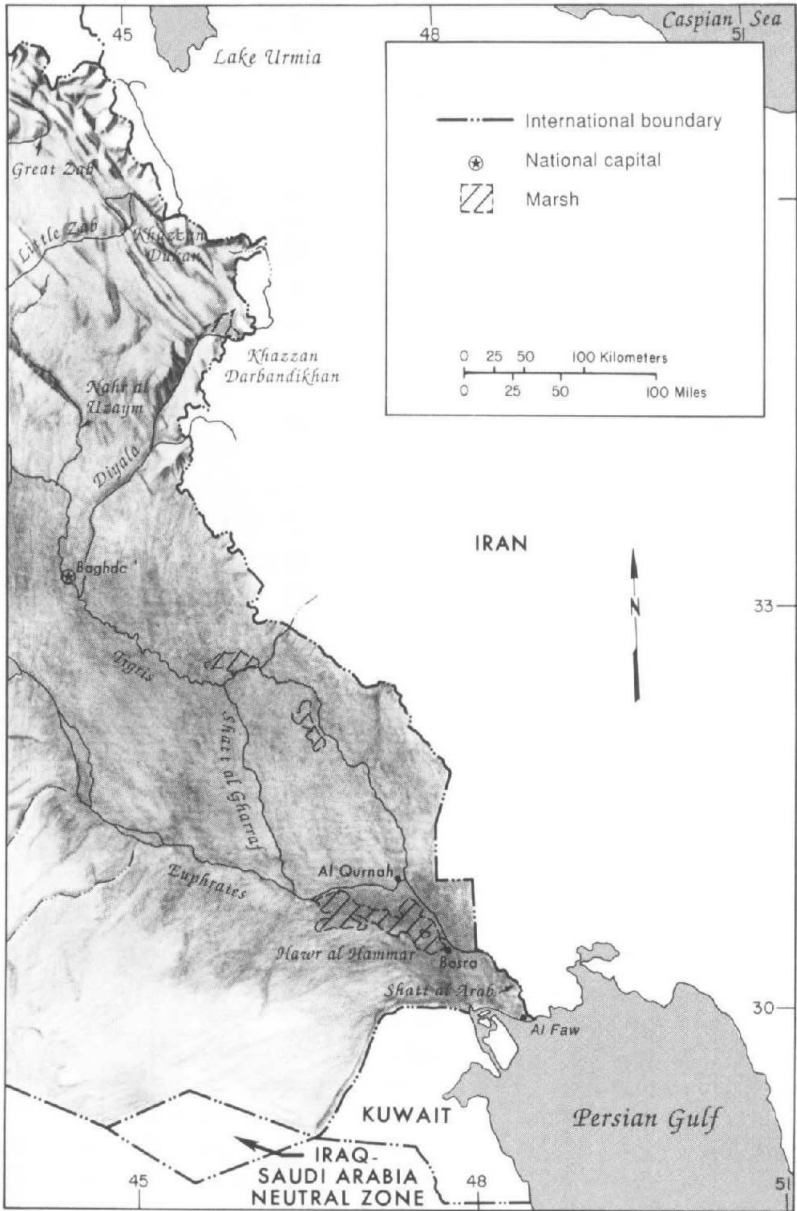


Figure 5. Topography and Drainage

gives way to mountains ranging from 1,000 to nearly 4,000 meters near the Iranian and Turkish borders. Except for a few valleys, the mountain area proper is suitable only for grazing in the foothills



and steppes; adequate soil and rainfall, however, make cultivation possible. Here, too, are the great oil fields near Mosul and Kirkuk. The northeast is the homeland of most Iraqi Kurds.

The alluvial plain begins north of Baghdad and extends to the Persian Gulf. Here the Tigris and the Euphrates rivers lie above the level of the plain in many places, and the whole area is a delta interlaced by the channels of the two rivers and by irrigation canals. Intermittent lakes, fed by the rivers in flood, also characterize southeastern Iraq. A fairly large area (15,000 square kilometers) just above the confluence of the two rivers at Al Qurnah and extending east of the Tigris beyond the Iranian border is marshland, known as Hawr al Hammar, the result of centuries of flooding and inadequate drainage. Much of it is permanent marsh, but some parts dry out in early winter, and other parts become marshland only in years of great flood.

Because the waters of the Tigris and the Euphrates above their confluence are heavily silt laden, irrigation and fairly frequent flooding deposit large quantities of silty loam in much of the delta area. Windborne silt also contributes to the total deposit of sediments. It has been estimated that the delta plains are built up at the rate of nearly twenty centimeters in a century. In some areas, major floods lead to the deposit in temporary lakes of as much as thirty centimeters of mud.

The Tigris and the Euphrates also carry large quantities of salts. These, too, are spread on the land by flooding and by sometimes excessive irrigation. A high water table and poor surface and sub-surface drainage tend to concentrate the salts near the surface of the soil. In general, the salinity of the soil increases from Baghdad south to the Persian Gulf, a condition which severely limits productivity in the region south of Al Amarah. The high degree of salinity is reflected in the large lake in central Iraq, southwest of Baghdad, known as Bahr al Milh (Sea of Salt). There are two other major lakes in the country to the north of Bahr al Milh, Buhayrat ath Tharthar and Buhayrat al Habbaniyah.

The Euphrates originates in Turkey, is augmented by the Nahr al Khabur (or Khabur River) in Syria, and enters Iraq in the northwest. Here it is fed only by the wadis of the western desert during the winter rains. It then winds through a gorge, which varies from two to sixteen kilometers in width, until it flows out onto the plain at Ar Ramadi. Beyond there the Euphrates continues to the Hindiyah Barrage, which was constructed in 1914 to divert the river into the Hindiyah Channel (the present-day Shatt al Hillah had been the main channel of the Euphrates before 1914). Below Al Kifl, the river follows two channels to As Samawah, where it reappears as a single channel to join the Tigris at Al Qurnah.

The Tigris also rises in Turkey, but it is significantly augmented by several rivers in Iraq, the most important of which are the

Khabur, the Great Zab, the Little Zab, and the Uzaym, all of which join the Tigris above Baghdad, and the Diyala, which joins it about thirty-six kilometers below the city. At the Kut Barrage much of the water is diverted into the Shatt al Gharraf, which was once the main channel of the Tigris. Water from the Tigris thus enters the Euphrates through the Shatt al Gharraf well above the confluence of the two main channels at Al Qurnah.

Both the Tigris and the Euphrates break into a number of channels in the marshland area, and the flow of the rivers is substantially reduced by the time they come together at Al Qurnah. Moreover, the swamps act as silt traps, and the Shatt al Arab is relatively silt free as it flows south. Below Basra, however, the Karun River enters the Shatt al Arab from Iran, carrying large quantities of silt that present a continuous dredging problem in maintaining a clear channel to enable ocean-going vessels to reach the port at Basra. This problem has been superseded by a greater obstacle to river traffic, however, namely the presence of several sunken hulks that have been rusting in the Shatt al Arab since early in the war.

The waters of the Tigris and Euphrates are essential to the life of the country, but they may also threaten it. The rivers are at their lowest level in September and in October and are at flood in March, April, and May, when they may carry forty times as much water as at low mark. Moreover, one season's flood may be ten or more times as great as another's. In 1954, for example, Baghdad was seriously threatened, and dikes protecting it were nearly topped by the flooding Tigris. Since Syria built a dam on the Euphrates, the flow of water has been considerably diminished, and flooding was no longer a problem in the mid-1980s. In 1988 Turkey was also constructing a dam on the Euphrates that would further restrict the water flow.

Until the mid-twentieth century, most efforts to control the waters were primarily concerned with irrigation. Some attention was given to problems of flood control and drainage before the July 14 Revolution in 1958, but development plans in the 1960s and the 1970s were increasingly devoted to these matters, as well as to irrigation projects on the upper reaches of the Tigris and the Euphrates and the tributaries of the Tigris in the northeast. During the war, government officials stressed to foreign visitors that, with the conclusion of a peace settlement, problems of irrigation and flooding would receive top priority from the government.

Settlement Patterns

In the rural areas of the alluvial plain and in the lower Diyala region, settlement almost invariably clusters near the rivers,

streams, and irrigation canals. The bases of the relationship between watercourse and settlement have been summarized by Robert McCormick Adams, director of the Oriental Institute of the University of Chicago. He notes that the levees laid down by streams and by canals provide advantages for both settlement and agriculture. Surface water drains more easily on the levees' backslope, and the coarse soils of the levees are easier to cultivate and permit better subsurface drainage. The height of the levees gives some protection against floods and the frost that often affect low-lying areas and may kill winter crops. Above all, those living or cultivating on the crest of a levee have easy access to water for irrigation and for household use in a dry, hot country.

Although there are some isolated homesteads, most rural communities are nucleated settlements rather than dispersed farmsteads; that is, the farmer leaves his village to cultivate the fields outside it. The pattern holds for farming communities in the Kurdish highlands of the northeast as well as for those in the alluvial plain. The size of the settlement varies, generally with the volume of water available for household use and with the amount of land accessible to village dwellers. Sometimes, particularly in the lower Tigris and Euphrates valleys, soil salinity restricts the area of arable land and limits the size of the community dependent upon it, and it also usually results in large unsettled and uncultivated stretches between the villages.

Fragmentary information suggests that most farmers in the alluvial plain tend to live in villages of more than 100 persons. For example, in the mid-1970s a substantial number of the residents of Baqubah, the administrative center and major city of Diyala Governorate, were employed in agriculture.

The Marsh Arabs (the Madan) of the south usually live in small clusters of two or three houses kept above water by rushes that are constantly being replenished. Such clusters often are close together, but access from one to another is possible only by small boat. Here and there a few natural islands permit slightly larger clusters. Some of these people are primarily water buffalo herders, and they lead a seminomadic life. In the winter, when the waters are at a low point, they build fairly large temporary villages; in the summer, they move their herds out of the marshes to the river banks.

The war has had its effect on the lives of these denizens of the marshes. With much of the fighting concentrated in their areas, they have either migrated to settled communities away from the marshes or have been forced by government decree to relocate within the marshes. Also, in early 1988, the marshes had become the refuge of deserters from the Iraqi army, who attempted to

maintain life in the fastness of these overgrown, desolate areas while hiding out from the authorities. These deserters in many instances have formed into large gangs that raid the marsh communities. For this reason, many of the marsh dwellers have abandoned their villages.

The war has also affected settlement patterns in the northern Kurdish areas. There, the persistence of a stubborn rebellion by Kurdish guerrillas has goaded the government into applying steadily escalating violence against the local communities. Starting in 1984, the government launched a scorched-earth campaign to drive a wedge between the villagers and the guerrillas in the remote areas of two provinces of Kurdistan in which Kurdish guerrillas were active. In the process, whole villages were torched and subsequently bulldozed, which resulted in the Kurds' flocking into the regional centers of Irbil and As Sulaymaniyah. Also as a military precaution, the government has cleared a broad strip of territory in the Kurdish region along the Iranian border of all its inhabitants, hoping in this way to interdict the movement of Kurdish guerrillas back and forth between Iran and Iraq. The majority of Kurdish villages, however, remained intact in early 1988.

In the arid areas of Iraq to the west and to the south, cities and large towns are almost invariably situated on watercourses, usually on the major rivers or their larger tributaries. In the south, this dependence has had its disadvantages. Until the recent development of flood control, Baghdad and other cities were subject to the threat of inundation. The dikes needed for protection, moreover, have effectively prevented the expansion of the urban areas in some directions. The growth of Baghdad, for example, was restricted by dikes on its eastern edge. The diversion of water to the Milhat ath Tharthar and the construction of a canal transferring water from the Tigris north of Baghdad to the Diyala River have facilitated both the irrigation of land outside the limits of the dikes and the expansion of settlement.

Climate

Roughly 90 percent of the annual rainfall occurs between November and April, most of it in the winter months from December through March. The remaining six months, particularly the hottest ones of June, July, and August, are dry.

Except in the north and in the northeast, mean annual rainfall ranges between ten and seventeen centimeters. Data available from stations in the foothills and in the steppes south and southwest of the mountains suggest that there is mean annual rainfall of between thirty-two and fifty-seven centimeters for that area. Rainfall in the

mountains is more abundant and may reach 100 centimeters a year in some places, but the terrain precludes extensive cultivation. Cultivation on nonirrigated land is limited essentially to the mountain valleys, foothills, and steppes, which have thirty or more centimeters of rainfall annually. Even in this zone, however, only one crop a year can be grown, and shortages of rain have often led to crop failures.

Mean minimum temperatures in the winter range from near freezing (just before dawn) in the northern and northeastern foothills and the western desert to 2°C–3°C and 4°C–5°C in the alluvial plains of southern Iraq. They rise to a mean maximum of about 15.5°C in the western desert and in the northeast and of 16.6°C in the south. In the summer mean minimum temperatures range from about 22.2°C to about 29°C and rise to maximums between roughly 37.7°C and 43.3°C. Temperatures sometimes fall below freezing, and they have fallen as low as -14.4°C at Ar Rutbah in the western desert. They are more likely, however, to go over 46°C in the summer months, and several stations have records of more than 48°C.

The summer months are marked by two kinds of wind. The southerly and southeasterly *sharqi*, a dry, dusty wind with occasional gusts of eighty kilometers an hour, occurs from April to early June and again from late September through November. It may last for only a day at the beginning and at the end of the season but for several days at other times. This wind is often accompanied by violent duststorms that may rise to heights of several thousand meters and that may close airports for brief periods. From mid-June to mid-September, the prevailing wind, called the *shamal*, is from the north and northwest. It is a steady wind, absent only occasionally during this period. The very dry air brought by this *shamal* permits intensive heating of the land surface by the sun, but the breeze has some cooling effect.

The combination of rain shortage and extreme heat makes much of Iraq a desert. Because of very high rates of evaporation, soil and plants rapidly lose the little moisture obtained from the rain, and vegetation could not survive without extensive irrigation. Some areas, however, although arid, do have natural vegetation in contrast to the desert. For example, in the Zagros Mountains in north-eastern Iraq there is permanent vegetation, such as oak trees, and date palms are found in the south.

Population

Although a census occurred in late 1987, only overall population totals and some estimates were available in early 1988. The

latest detailed census information was that from the 1977 census. The total population increased from 12,029,000 in 1977 to 16,278,000 in 1987, an increase of 35.3 percent.

The population has fluctuated considerably over the region's long history. Between the eighth century and the twelfth century A.D., Iraq—particularly Baghdad—was the flourishing center of a burgeoning Arab civilization. At the height of the region's prosperity it may have supported a population much larger than the present society. (Some estimates range as high as 15 to 29 million people.) Decline came swiftly in the late thirteenth century, however, when Mongol conquerors massacred the populace, destroyed the cities, and ravaged the countryside. The elaborate irrigation system that had made possible agricultural production capable of supporting a large population was left in ruins.

A pattern of alternating neglect and oppression characterized the Ottoman rule that began in the sixteenth century, and for hundreds of years the three *wilayat* (sing., *wilayah*, province) of Baghdad, Al Basrah, and Mosul—which the British joined to form Iraq in the aftermath of World War I—remained underpopulated backward outposts of the Ottoman Empire. In the mid-1800s, the area had fewer than 1.3 million inhabitants.

When Iraq became independent in 1932, the departing British officials estimated the population at about 3.5 million. The first census was carried out in 1947; it showed a population of approximately 4.8 million. The 1957 census gave a population figure of about 6.3 million, and the 1965 census returned a count of slightly above 8 million.

The October 1977 census gave the annual rate of population growth as 3.2 percent. According to the October 1987 census, the annual population growth rate was 3.1 percent, which placed Iraq among those countries with high population growth rates (2.8 to 3.5 percent per year). In common with many developing countries, Iraq's population was young; in 1987 approximately 57 percent of the population was under the age of twenty. The government has never sought to implement a birth control program, a policy reinforced by the war in order to offset losses in the fighting and to mitigate the threat from Iran, the population of which is roughly three times that of Iraq (see fig. 6).

In 1977 about 64 percent of the population was listed as living in urban areas; this was a marked change from 1965, when only 44 percent resided in urban centers. In the 1987 government estimates, the urban population was given as 70 percent. The increase resulted in large measure from the migrations to the cities after the start of the war. The partial destruction of Basra by Iranian

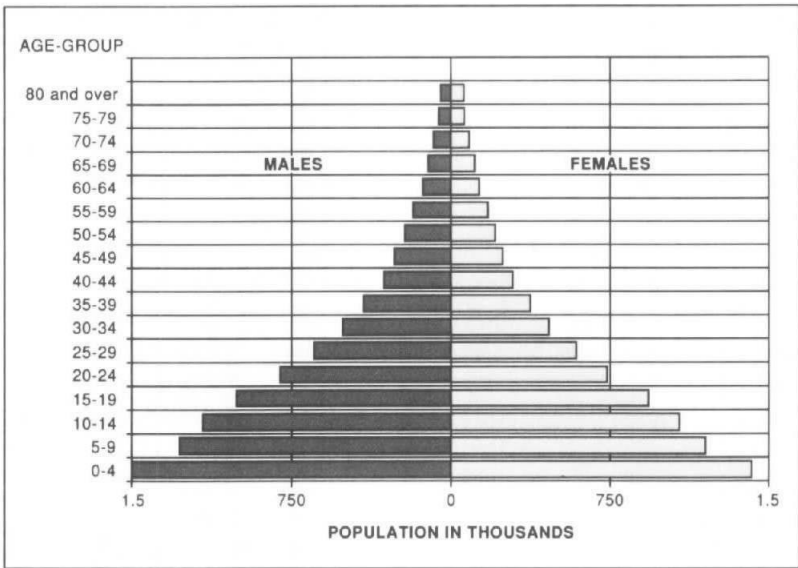


Figure 6. Estimated Population Distribution by Age and Sex, 1987

artillery barrages has had a particularly devastating effect; by 1988, according to some well informed accounts, almost half the residents of the city—its population formerly estimated at 800,000—had fled. At the same time, approximately 95,000 persons were identified in the 1977 census as nomadic or seminomadic beduins; the apparent increase from the 57,000 listed in the 1957 census probably reflects either an improved counting procedure or a change in classification. Overall, nomads and seminomads constituted less than 1 percent of the population, whereas in 1867 they had been estimated at about 500,000 or 35 percent of the population (see table 2, Appendix).

The population remains unevenly distributed. In 1987 the Baghdad Governorate had a population density of about 745 persons per square kilometer; the Babylon Governorate, of 211 persons per square kilometer; and the Al Muthanna Governorate, of only 6.1 persons per square kilometer. In general the major cities are located on the nation's rivers, and the bulk of the rural population lives in the areas that are cultivated with water taken from the rivers (see table 3, Appendix).

People

Although the data are not absolutely reliable, the government

estimates that 76 percent of the people are Arab; 19 percent are Kurds; while Turkomans, Assyrians, Armenians, and other relatively small groups make up the rest. All but a small percentage adhere to Islam. The Islamic component is split into two main sects, Sunni and Shia; the Shias are in the majority by far. Officially the government sets the number of Shias at 55 percent. In the 1980s, knowledgeable observers began to question this figure, regarding it as low. Because the government does not encourage birth control and the Shias, the least affluent in society, have traditionally had the highest birthrate, a more reasonable estimate of their numbers would seem to be between 60 and 65 percent. All but a few of the estimated 3,088,000 Kurds are Sunni, and thus the Sunni Arabs—who historically have been the dominant religious and ethnic group—constitute a decided minority of only about 13 percent vis-à-vis the Shia majority (see fig. 7).

Almost all Iraqis speak at least some Arabic, the mother tongue for the Arab majority. Arabic, one of the more widely spoken languages in the world, is the mother tongue claimed in 1988 by over 177 million people from Morocco to the Arabian Sea. One of the Semitic languages, it is related to Aramaic, Phoenician, Syriac, Hebrew, various Ethiopic languages, and the Akkadian of ancient Babylonia and Assyria.

Throughout the Arab world, the language exists in three forms: the Classical Arabic of the Quran; the literary language developed from the classical and referred to as Modern Standard Arabic, which has virtually the same structure wherever used; and the spoken language, which in Iraq is Iraqi Arabic. Educated Arabs tend to be bilingual—in Modern Standard Arabic and in their own dialect of spoken Arabic. Even uneducated Arabic speakers, who in Iraq constitute about 60 percent of the population, can comprehend the meaning of something said in Modern Standard Arabic, although they are unable to speak it. Classical Arabic, apart from Quranic texts, is known chiefly to scholarly specialists.

Most of the words of Arabic's rich and extensive vocabulary are variations of triconsonantal roots, each of which has a basic meaning. The sounds of Arabic are also rich and varied; they include some made in the throat and back of the larynx which do not occur in the major Indo-European languages. Structurally there are important differences between Modern Standard Arabic and spoken Arabic, such as the behavior of the verb: the voice and the tense of the verb are indicated by different internal changes in the two forms. In general the grammar of spoken Arabic is simpler than that of Modern Standard Arabic, having dropped many noun declensions and different forms of the relative pronoun for the

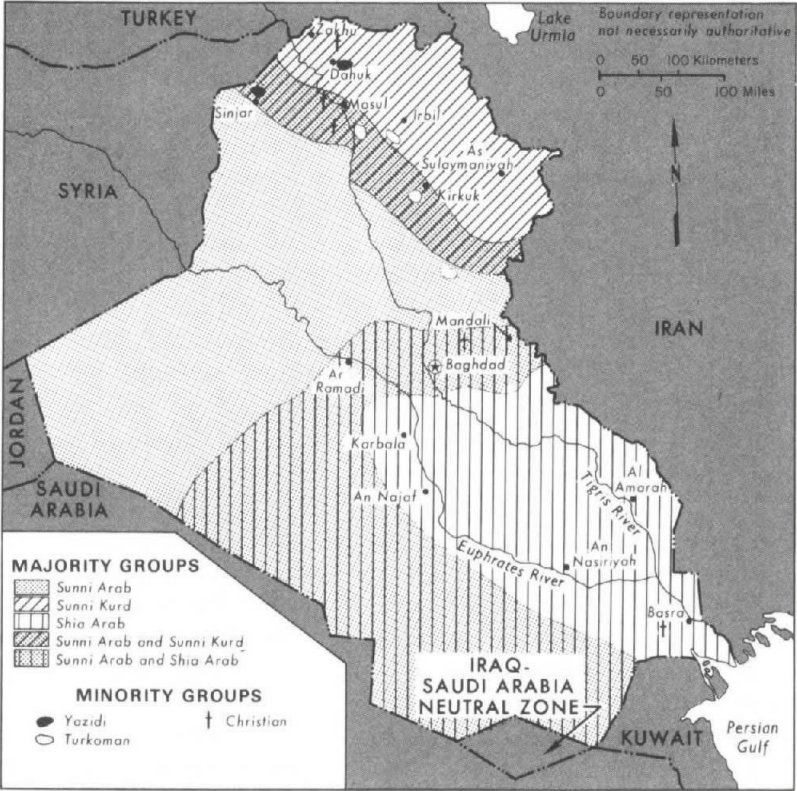


Figure 7. Ethnic and Religious Distribution, 1988

different genders. Some dialects of spoken Arabic do not use special feminine forms of plural verbs.

Dialects of spoken Arabic vary greatly throughout the Arab world. Most Iraqis speak one common to Syria, Lebanon, and parts of Jordan and—as is true of people speaking other dialects—they proudly regard theirs as the best. Although they converse in Iraqi Arabic, there is general agreement that Modern Standard Arabic, the written language, is superior to the spoken form. Arabs generally believe that the speech of the beduins resembles the pure classical form most closely and that the dialects used by the settled villagers and townspeople are unfortunate corruptions.

Kurds

Kurds represent by far the largest non-Arab ethnic minority, numbering about 3.1 million in 1987. They are the overwhelming

majority in the governorates of As Sulaymaniyah, Irbil, and Dahuk. Although the government hotly denies it, the Kurds are almost certainly also a majority in the region around Kirkuk, Iraq's richest oil-producing area. Kurds are settled as far south as Khanaqin. Ranging across northern Iraq, the Kurds are part of the larger Kurdish population (probably numbering close to 16 million) that inhabits the wide arc from eastern Turkey and the northwestern part of Syria through Soviet Azarbaijan and Iraq to the northwest of the Zagros Mountains in Iran. Although the largest numbers (variously estimated at between 3 and 10 million) live in Turkey, they are most active politically in Iraq.

The Kurds inhabit the highlands and mountain valleys, and traditionally they have been organized on a tribal basis. In the past, it was correct to distinguish the various communities of Kurds according to their tribal affiliation. To a large extent this was still true in the 1980s; tribes like the Herkki, the Sorchi, and the Zibari have maintained a powerful cohesion. Increasingly, however, groups of Kurds organized along political lines have grown up alongside the tribal units. Hence, the most northern and northeastern areas of Iraq are heavily infiltrated by elements of the so-called Kurdish Democratic Party (KDP—see *The Emergence of Saddam Hasayn, 1968–79*, ch. 1). The area surrounding Kirkuk and extending south to Khanaqin is the preserve of the Faili Kurds, who, unlike the majority of Kurds, are Shias. Many of the Faili Kurds belong to the Patriotic Union of Kurdistan (PUK). The far northwestern region of Iraq around Sinjar is spotted with enclaves claimed by the Iraqi Communist Party (ICP), and the majority of its cadres are composed of Kurds.

Once mainly nomadic or seminomadic, Kurdish society was characterized by a combination of urban centers, villages, and pastoral tribes, from at least the Ottoman period. Historical sources indicate that, from the eighteenth century onward, Kurds in Iraq were mainly peasants engaged in agriculture and arboriculture. By the nineteenth century, about 20 percent of Iraqi Kurds lived in historic Kurdish cities such as Kirkuk, As Sulaymaniyah, and Irbil. The migration to the cities, particularly of the young intelligentsia, helped develop Kurdish nationalism.

Since the early 1960s, the urban Kurdish areas have grown rapidly. Kurdish migration—in addition to being part of the general trend of urban migration—was prompted by the escalating armed conflict with the central authorities in Baghdad, the destruction of villages and land by widespread bombing, and such natural disasters as a severe drought in the 1958 to 1961 period. In addition to destroying traditional resources, the severe fighting has

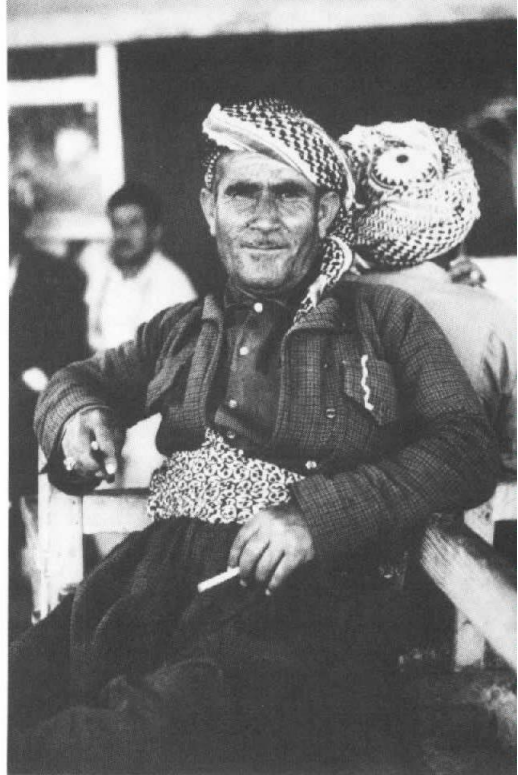
hindered the development of education, health, and other services.

The historic enmity between the Kurds and the central Arab government has contributed to the tenacious survival of Kurdish culture. The Kurds' most distinguishing characteristic, and the one that binds them to one another, is their language. There are several Kurdish dialects, of which Kirmanji (also seen as Karamanji) tends to be the standard written form as well as the language spoken by the northern group of Kurds (Kurdi or Sorani is spoken by the central group of Kurds.) Kurdish is not a mere dialect of Farsi or Persian, as many Iranian nationalists maintain, but one of the three major Iranian languages. The other two are Persian and Pashto (the Pathan language of eastern Afghanistan and parts of West Pakistan). It is not a variant of the Semitic or Turkic tongues but a separate language, part of the Indo-European family.

The Kurds have been locked in an unremittingly violent struggle with the central government in Baghdad almost since the founding of the Iraqi republic in 1958 (see *Internal Developments and Security*, ch. 5). It appeared in the early 1970s that the dissident Kurds—under the generalship of the legendary leader Mullah Mustafa Barzani—might actually carve out an independent Kurdish area in northern Iraq. In 1975, however, the shah of Iran—the Kurds' principal patron—withdrawed his support of the Kurds as part of the Algiers Agreement between Tehran and Baghdad, leading to a sharp decline in the Kurdish movement. The signing of the Algiers Agreement caused a breakaway faction to emerge from the KDP, led by Masud Barzani, the son of Mullah Mustafa Barzani. The faction that left the KDP in opposition to the agreement formed the PUK under Jalal Talabani. The PUK continued to engage in low-level guerrilla activity against the central government in the period from 1975 to 1980. The war between Iraq and Iran that broke out in 1980 afforded the PUK and other Iraqi Kurdish groups the opportunity to intensify their opposition to the government.

The future of the Kurds in Iraq is uncertain because of the war. In 1983 the KDP spearheaded an Iranian thrust into northern Iraq, and later its cadres fanned out across the border area adjacent to Turkey where they established a string of bases. Meanwhile, Talabani's PUK has maintained a fighting presence in the Kirkuk region, despite ruthless attempts by the central government to dislodge them. Thus, as of early 1988, most of the northern areas of Iraq—outside the major cities—were under the control of the guerrillas. On the one hand, if the present government in Iraq survives the war—which in early 1988 seemed likely—it is almost certain

*A Kurd from Salah ad Din
Courtesy Mokhless Al-Hariri*



to punish those Kurds who collaborated with the Iranians. On the other hand, a number of large and powerful Kurdish tribes as well as many prominent Kurds from nontribal families have continued to support the central government throughout the war, fighting against their fellow Kurds. These loyal Kurds will expect to be rewarded for their allegiance once the war ends.

Other Minorities

The Yazidis are of Kurdish stock but are distinguished by their unique religious fusion of elements of paganism, Zoroastrianism, Christianity, and Islam. They live in small and isolated groups, mostly in the Sinjar Mountains west of Mosul. They are impoverished cultivators and herdsman, who have a strictly graded religiopolitical hierarchy and who tend to maintain a more closed community than other ethnic or religious groups. Historically, they have been subject to sharp persecution because of their heretical beliefs and practices.

The Turkomans, who are believed to constitute somewhat less than 2 percent of the population, are village dwellers in the north-east, along the border between the Kurdish and Arab regions. A number of Turkomans live in the city of Irbil. The Turkomans, who speak a Turkish dialect, have preserved their language, but they are no longer tribally organized. Most are Sunnis who were brought in by the Ottomans to repel tribal raids. These early

Turkomans were settled at the entrances of the valleys that gave access to the Kurdish areas. This historic pacification role has led to strained relations with the Kurds. By 1986 the Turkomans numbered somewhere around 222,000, and they were being rapidly assimilated into the general population.

The Assyrians are considered to be the third largest ethnic minority in Iraq. Although official Iraqi statistics do not refer to them as an ethnic group, they are believed to represent about 133,000 persons, or less than 1 percent of the population. Descendants of ancient Mesopotamian peoples, they speak Aramaic. The Assyrians live mainly in the major cities and in the rural areas of northeastern Iraq, where they tend to be professionals and businessmen or independent farmers. They are Christians, belonging to one of four churches: the Chaldean (Uniate), the Nestorian, the Jacobite or Syrian Orthodox, and the Syrian Catholic. There is also a small number of Armenians.

Religious Life

Although members of the ruling Baath (Arab Socialist Resurrection) Party generally are ideologically committed to secularism, about 95 percent of Iraqis are Muslim, and Islam is the officially recognized state religion. Islam came to the region with the victory of the Muslim armies, under Caliph Umar, over the Sassanids, in A.D. 637 at the battle of Al Qadisiyah. The majority of inhabitants, including the Kurds, soon became Muslim, although small communities of Christians and Jews remained intact in the area of present-day Iraq. Iraq has been the scene of many important events in the early history of Islam, including the schism over the rightful successor to the Prophet Muhammad.

Islam

Islam is a system of religious beliefs and an all-encompassing way of life. Muslims believe that God (Allah) revealed to the Prophet Muhammad the rules governing society and the proper conduct of society's members. It is incumbent on the individual, therefore, to live in a manner prescribed by the revealed law and incumbent on the community to build the perfect human society on earth according to holy injunctions. Islam recognizes no distinctions between church and state. The distinction between religious and secular law is a recent development that reflects the more pronounced role of the state in society, and Western economic and cultural penetration. The impact of religion on daily life in Muslim countries is far greater than that found in the West since the Middle Ages.

The Ottoman Empire organized society around the concept of the *millet*, or autonomous religious community. The non-Muslim "People of the Book" (Christians and Jews) owed taxes to the government; in return they were permitted to govern themselves according to their own religious law in matters that did not concern Muslims. The religious communities were thus able to preserve a large measure of identity and autonomy.

The Iraqi Baath Party has been a proponent of secularism. This attitude has been maintained despite the fact that the majority of Iraqis are deeply religious. At the same time, the Baathists have not hesitated to exploit religion as a mobilizing agent, and from the first months of the war with Iran, prominent Baathists have made a public show of attending religious observances. Iraq's President Saddam Husayn is depicted in prayer in posters displayed throughout the country. Moreover, the Baath has provided large sums of money to refurbish important mosques; this has proved a useful tactic in encouraging support from the Shias.

Islam came to Iraq by way of the Arabian Peninsula, where in A.D. 610, Muhammad—a merchant of the Hashimite branch of the ruling Quraysh tribe in the Arabian town of Mecca—began to preach the first of a series of revelations granted him by God through the angel Gabriel. A fervent monotheist, Muhammad denounced the polytheism of his fellow Meccans. Because the town's economy was based in part on a thriving pilgrimage business to the shrine called the Kaaba and to numerous other pagan religious sites in the area, his censure earned him the enmity of the town's leaders. In 622 he and a group of followers accepted an invitation to settle in the town of Yathrib, later known as Medina (the city), because it was the center of Muhammad's activities. The move, or *hijra* (see Glossary), known in the West as the *hegira*, marks the beginning of the Islamic era and of Islam as a force in history; the Muslim calendar begins in 622. In Medina, Muhammad continued to preach, and he eventually defeated his detractors in battle. He consolidated the temporal and the spiritual leadership in his person before his death in 632. After Muhammad's death, his followers compiled those of his words regarded as coming directly from God into the Quran, the holy scriptures of Islam. Others of his sayings and teachings, recalled by those who had known him, became the *hadith* (see Glossary). The precedent of Muhammad's personal behavior is called the *sunna*. Together they form a comprehensive guide to the spiritual, ethical, and social life of the orthodox Sunni Muslim.

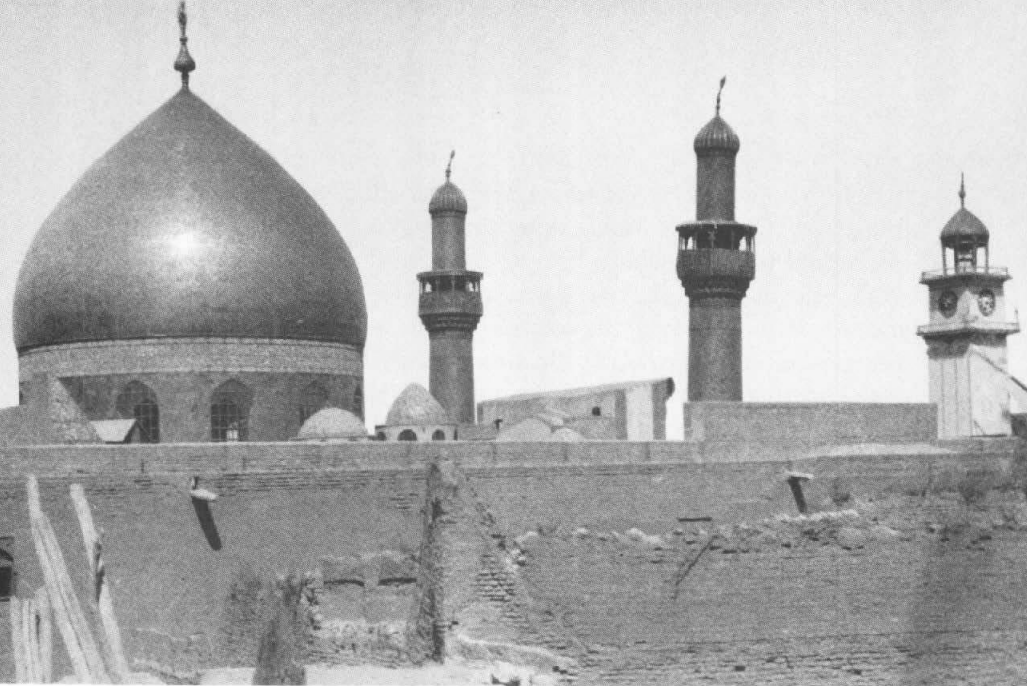
The duties of Muslims form the five pillars of Islam, which set forth the acts necessary to demonstrate and reinforce the faith. These

are the recitation of the *shahada* (“There is no God but God [Allah], and Muhammad is his prophet”), daily prayer (*salat*), almsgiving (*zakat*), fasting (*sawm*), and pilgrimage (hajj). The believer is to pray in a prescribed manner after purification through ritual ablutions each day at dawn, midday, midafternoon, sunset, and night-fall. Prescribed genuflections and prostrations accompany the prayers, which the worshiper recites facing toward Mecca. Whenever possible, men pray in congregation at the mosque with an imam (see Glossary), and on Fridays they make a special effort to do so. The Friday noon prayers provide the occasion for weekly sermons by religious leaders. Women may also attend public worship at the mosque, where they are segregated from the men, although most frequently women pray at home. A special functionary, the muezzin, intones a call to prayer to the entire community at the appropriate hour. Those out of earshot determine the time by the sun.

The ninth month of the Muslim calendar is Ramadan, a period of obligatory fasting in commemoration of Muhammad’s receipt of God’s revelation. Throughout the month, all but the sick and the weak, pregnant or lactating women, soldiers on duty, travelers on necessary journeys, and young children are enjoined from eating, drinking, smoking, or sexual intercourse during the daylight hours. Those adults excused are obliged to endure an equivalent fast at their earliest opportunity. A festive meal breaks the daily fast and inaugurates a night of feasting and celebration. The pious well-to-do usually do little or no work during this period, and some businesses close for all or part of the day. Since the months of the lunar year revolve through the solar year, Ramadan falls at various seasons in different years. A considerable test of discipline at any time of the year, a fast that falls in summertime imposes severe hardship on those who must do physical work.

All Muslims, at least once in their lifetimes, should make the hajj to Mecca to participate in special rites held there during the twelfth month of the lunar calendar. Muhammad instituted this requirement, modifying pre-Islamic custom, to emphasize sites associated with God and Abraham (Ibrahim), founder of monotheism and father of the Arabs through his son, Ismail.

The lesser pillars of the faith, which all Muslims share, are jihad, or the crusade to protect Islamic lands, beliefs, and institutions; and the requirement to do good works and to avoid all evil thoughts, words, and deeds. In addition, Muslims agree on certain basic principles of faith based on the teachings of the Prophet Muhammad: there is one God, who is a unitary divine being in contrast to the trinitarian belief of Christians; Muhammad, the last of a line of



*Great Mosque in the Shia holy city of An Najaf
Courtesy Matson Collection*

prophets beginning with Abraham and including Moses and Jesus, was chosen by God to present His message to humanity; and there is a general resurrection on the last, or judgment, day.

During his lifetime, Muhammad held both spiritual and temporal leadership of the Muslim community. Religious and secular law merged, and all Muslims have traditionally been subject to sharia, or religious law. A comprehensive legal system, sharia developed gradually through the first four centuries of Islam, primarily through the accretion of interpretations and precedents set by various judges and scholars. During the tenth century, legal opinion began to harden into authoritative rulings, and the figurative *bab al ijtihad* (gate of interpretation) closed. Thereafter, rather than encouraging flexibility, Islamic law emphasized maintenance of the status quo.

After Muhammad's death, the leaders of the Muslim community consensually chose Abu Bakr, the Prophet's father-in-law and one of his earliest followers, to succeed him. At that time some persons favored Ali ibn Abu Talib, Muhammad's cousin and the husband of his daughter Fatima, but Ali and his supporters (the Shiat Ali, or party of Ali) eventually recognized the community's choice. The next two caliphs (successors)—Umar, who succeeded in 634, and Uthman, who took power in 644—enjoyed the recognition of the entire community. When Ali finally succeeded to the caliphate

in 656, Muawiyah, governor of Syria, rebelled in the name of his murdered kinsman Uthman. After the ensuing civil war, Ali moved his capital to Iraq, where he was murdered shortly thereafter.

Ali's death ended the last of the so-called four orthodox caliphates and the period in which the entire community of Islam recognized a single caliph. Muawiyah proclaimed himself caliph from Damascus. The Shiat Ali refused to recognize him or his line, the Umayyad caliphs, and withdrew in the great schism to establish the dissident sect, known as the Shias, who supported the claims of Ali's line to the caliphate based on descent from the Prophet. The larger faction, the Sunnis, adhered to the position that the caliph must be elected, and over the centuries they have represented themselves as the orthodox branch.

Sunnis

Originally political, the differences between Sunni and Shia interpretations rapidly took on theological and metaphysical overtones. In principle, a Sunni approaches God directly: there is no clerical hierarchy. Some duly appointed religious figures, however, exert considerable social and political power. Imams usually are men of importance in their communities, but they need not have any formal training; among the beduins, for example, any tribal member may lead communal prayers. Committees of socially prominent worshipers usually administer mosque-owned land and gifts. In Iraq, as in many other Arab countries, the administration of waqfs (religious endowments) has come under the influence of the state. Qadis (judges) and imams are appointed by the government.

The Muslim year has two religious festivals—Id al Adha, a sacrificial festival on the tenth of Dhu al Hijjah, the twelfth, or pilgrimage, month; and Id al Fitr, the festival of breaking the fast, which celebrates the end of Ramadan on the first of Shawwal, the tenth month. To Sunnis these are the most important festivals of the year. Each lasts three or four days, during which people put on their best clothes and visit, congratulate, and bestow gifts on each other. In addition, cemeteries are visited. Id al Fitr is celebrated more joyfully, as it marks the end of the hardships of Ramadan. Celebrations also take place, although less extensively, on the Prophet's birthday, which falls on the twelfth of Rabi al Awwal, the third month, and on the first of Muharram, the beginning of the new year.

With regard to legal matters, Sunni Islam has four orthodox schools that give different weight in legal opinions to prescriptions in the Quran, to the hadith or sayings of the Prophet Muhammad,

to the consensus of legal scholars, to analogy (to similar situations at the time of the Prophet), and to reason or opinion. Named for their founders, the Hanafi school of Imam Abu Hanifa, born in Al Kufah about 700, is the major school of Iraqi Sunni Arabs. It makes considerable use of reason or opinion in legal decisions. The dominant school for Iraqi Sunni Kurds is that of Imam Abu Abd Allah Muhammad Shafii of the Quraysh tribe of the Prophet, who was born in 767, was brought up in Mecca, and later taught in both Baghdad and Cairo. He followed a somewhat eclectic legal path, laying down the rules for analogy that were later adopted by other legal schools. The other two legal schools in Islam, the Maliki and the Hanbali, lack a significant number of adherents in Iraq.

Shias

Shia Muslims hold the fundamental beliefs of other Muslims (see Islam, this ch.). In addition to these tenets, however, Shias believe in the distinctive institution of Shia Islam, the Imamate. Whereas Sunni Muslims view the caliph as a temporal leader only, and consider an imam to be a prayer leader, Shia Muslims have a hereditary view of Muslim leadership. They believe the Prophet Muhammad designated Ali to be his successor as Imam, exercising both spiritual and temporal leadership. Such an Imam must have knowledge, both in a general and a religious sense, as well as spiritual guidance or *walayat*, the ability to interpret the inner mysteries of the Quran and the sharia. Only those who have *walayat* are free from error and sin and have been chosen by God through the Prophet. Each Imam in turn designated his successor—through twelve Imams—each holding the same powers.

The Imamate began with Ali, who is also accepted by Sunni Muslims as the fourth of the “rightly guided caliphs” to succeed the Prophet. Shias revere Ali as the First Imam, and his descendants, beginning with his sons Hasan and Husayn, continue the line of the Imams until the twelfth, who is believed to have ascended into a supernatural state to return to earth on Judgment Day. Shias point to the close lifetime association of the Prophet with Ali. When Ali was six years old, he was invited by the Prophet to live with him, and Shias believe Ali was the first person to make the declaration of faith in Islam. Ali also slept in the Prophet’s bed on the night of the hijra, when it was feared that the house would be attacked by unbelievers and the Prophet stabbed to death. He fought in all the battles the Prophet did, except one, and the Prophet chose him to be the husband of his favorite daughter, Fatima.

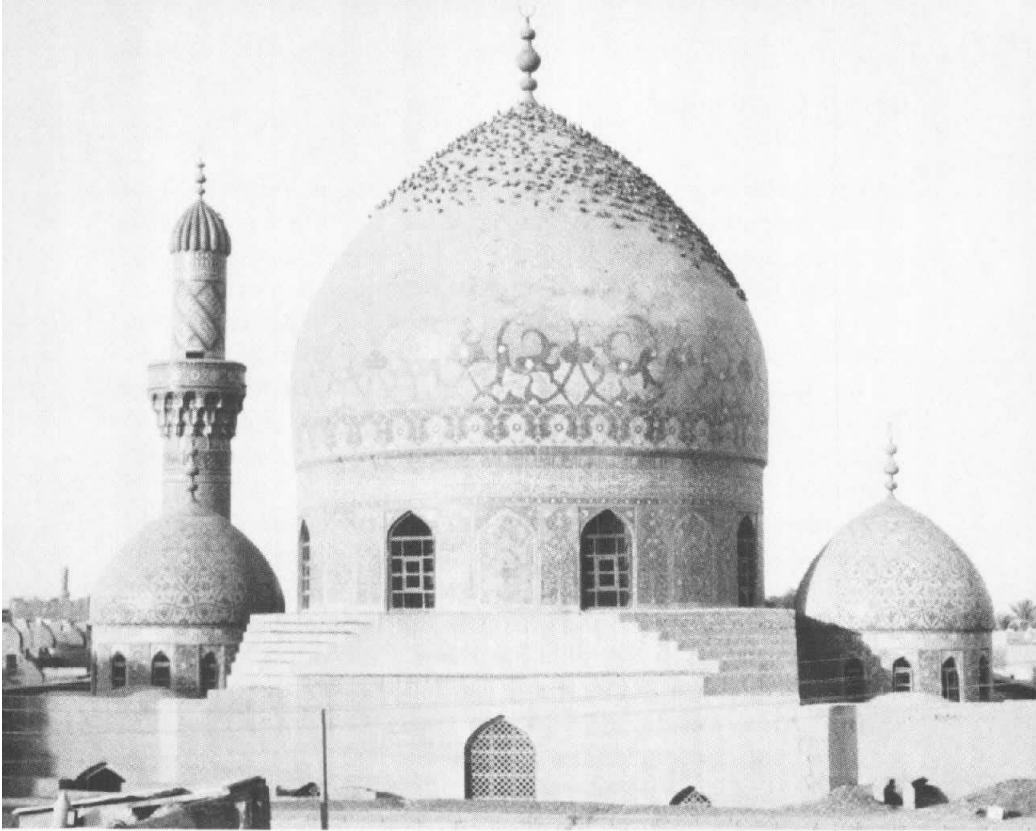
Among Shias the term *imam* traditionally has been used only for Ali and his eleven descendants. None of the twelve Imams, with the exception of Ali, ever ruled an Islamic government. During their lifetimes, their followers hoped that they would assume the rulership of the Islamic community, a rule that was believed to have been wrongfully usurped. Because the Sunni caliphs were cognizant of this hope, the Imams generally were persecuted under the Umayyad and Abbasid dynasties. Therefore, the Imams tried to be as unobtrusive as possible and to live as far as was reasonable from the successive capitals of the Islamic empire.

During the eighth century, the Caliph Al Mamun, son and successor to Harun ar Rashid, was favorably disposed toward the descendants of Ali and their followers. He invited Imam Reza, the Eighth Imam (765–816), to come from Medina (in the Arabian Peninsula) to his court at Marv (Mary in the present-day Soviet Union). While Reza was residing at Marv, Al Mamun designated him as his successor in an apparent effort to avoid conflict among Muslims. Reza's sister Fatima journeyed from Medina to be with her brother, but took ill and died at Qom, in present-day Iran. A major shrine developed around her tomb and over the centuries Qom has become a major Shia pilgrimage and theological center.

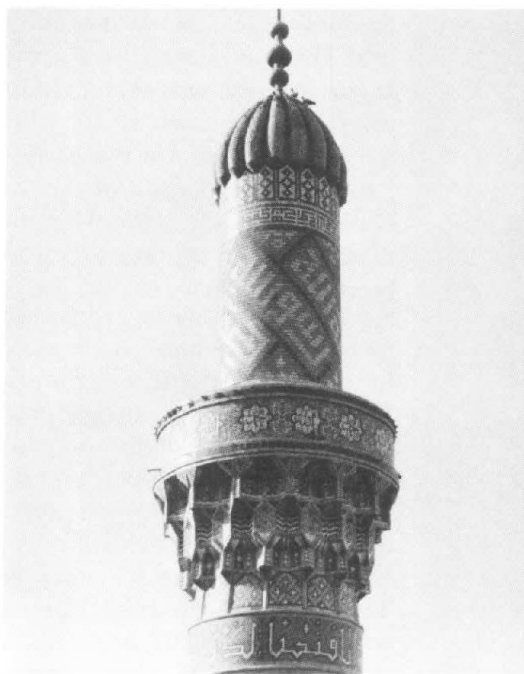
Al Mamun took Reza on his military campaign to retake Baghdad from political rivals. On this trip, Reza died unexpectedly in Khorasan. Reza was the only Imam to reside in, or die in, what is now Iran. A major shrine, and eventually the city of Mashhad, grew up around his tomb, which has become the most important pilgrimage center in Iran. Several important theological schools are located in Mashhad, associated with the shrine of the Eighth Imam.

Reza's sudden death was a shock to his followers, many of whom believed that Al Mamun, out of jealousy for Reza's increasing popularity, had had the Imam poisoned. Al Mamun's suspected treachery against Imam Reza and his family tended to reinforce a feeling already prevalent among his followers that the Sunni rulers were untrustworthy.

The Twelfth Imam is believed to have been only five years old when the Imamate descended upon him in 874 at the death of his father. Because his followers feared he might be assassinated, the Twelfth Imam was hidden from public view and was seen only by a few of his closest deputies. Sunnis claim that he never existed, or that he died while still a child. Shias believe that the Twelfth Imam never died, but disappeared from earth in about 939. Since that time, the greater occultation of the Twelfth Imam has been in force, which will last until God commands the Twelfth Imam



*The Haidar Khana Mosque,
Baghdad
Courtesy Matson Collection*



*Close-up of the minaret of the
Haidar Khana Mosque, Baghdad
Courtesy Matson Collection*

to manifest himself on earth again as the Mahdi or Messiah. Shias believe that during the occultation of the Twelfth Imam, he is spiritually present—some believe that he is materially present as well—and he is besought to reappear in various invocations and prayers. His name is mentioned in wedding invitations, and his birthday is one of the most jubilant of all Shia religious observances.

The Shia doctrine of the Imamate was not fully elaborated until the tenth century. Other dogmas were developed still later. A characteristic of Shia Islam is the continual exposition and reinterpretation of doctrine.

A further belief of Shia Muslims concerns divine justice and the individual's responsibility for his acts, which are judged by a just God. This contrasts with the Sunni view that God's creation of man allows minimal possibility for the exercise of free will.

A significant practice of Shia Islam is that of visiting the shrines of Imams both in Iraq and in Iran. These include the tomb of Imam Ali in An Najaf and that of his son Imam Husayn in Karbala, because both are considered major Shia martyrs. Before the 1980 Iran-Iraq War, tens of thousands went each year. The Iranians have made it a central aim of their war effort to wrest these holy cities from the Iraqis. Other principal pilgrimage sites in Iraq are the tombs of the Seventh Imam and the Ninth Imam at Kazimayn near Baghdad and in Iran, respectively, the tomb of the Eighth Imam in Mashhad and that of his sister in Qom. Such pilgrimages originated in part from the difficulty and the expense of making the hajj to Mecca in the early days.

In commemoration of the martyrdom of Husayn, killed near Karbala in A.D. 680 during a battle with troops supporting the Umayyad caliph, there are processions in the Shia towns and villages of southern Iraq on the tenth of Muharram (Ashura), the anniversary of his death. Ritual mourning (*taaziya*) is performed by groups of five to twenty men each. Contributions are solicited in the community to pay transportation for a local group to go to Karbala for *taaziya* celebrations forty days after Ashura. There is great rivalry among groups from different places for the best performance of the passion plays.

In the villages, religious readings occur throughout Ramadan and Muharram. The men may gather in the *mudhif* (tribal guest-house), the *suq* (market), or a private house. Women meet in homes. The readings are led either by a *mumin* (a man trained in a religious school in An Najaf), or by a mullah who has apprenticed with an older specialist. It is considered the duty of shaykhs (see Glossary), elders, prosperous merchants, and the like to sponsor these readings, or *qirayas*. Under the monarchy these public manifestations

were discouraged, as they emphasized grievances against the Sunnis.

Two distinctive and frequently misunderstood Shia practices are *mutah*, temporary marriage, and *taqiyah*, religious dissimulation. *Mutah* is a fixed-term contract that is subject to renewal. Practiced by the first community of Muslims at Medina, it was banned by the second caliph. *Mutah* differs from permanent marriage in that it does not require divorce to terminate it. It can be for a period as short as an evening or as long as a lifetime. The offspring of such an arrangement are the legitimate heirs of the man.

Taqiyah, condemned by the Sunnis as cowardly and irreligious, is the hiding or disavowal of one's religion or its practices in order to escape the danger of death from those opposed to the faith. Persecution of Shia Imams during the Umayyad and Abbasid caliphates reinforced the need for *taqiyah*.

Shia practice differs from that of Sunnis concerning both divorce and inheritance in that it is more favorable to women. The reason for this reputedly is the high esteem in which Fatima, the wife of Ali and the daughter of the Prophet, was held.

Like Sunni Islam, Shia Islam has developed several sects. The most important of these is the Twelver or Ithna-Ashari sect, which predominates not only in Iraq but in the Shia world generally. Broadly speaking, the Twelvers are considered political quietists as opposed to the Zaydis, who favor political activism, and the Ismailis, who are identified with esoteric and gnostic religious doctrines. Within Twelver Shia Islam there are two major legal schools, the Usuli and the Akhbari. Akhbaris constitute a very small group and are found primarily around Basra and in southern Iraq as well as around Khorramshahr in Iran. The dominant Usuli school is more liberal in its legal outlook; it allows greater use of interpretation (*ijtihad*) in reaching legal decisions; and it considers that one must obey a *mujtahid* (learned interpreter of the law) as well as an Imam.

Sunni-Shia Relations in Iraq

Until the 1980s, the dominant view of contemporary political analysts held that Iraq was badly split along sectarian lines. The claim was that the Sunnis—although a minority—ran Iraq and subjected the majority Shias to systematic discrimination. According to the prevailing belief, the Shias would drive the Sunnis from power, if once afforded an opportunity to do so.

There was some basis to this notion. For many years Iraq was ruled by and large by Arab Sunnis who tended to come from a restricted area around Baghdad, Mosul, and Ar Rutbah—the

so-called Golden Triangle. In the 1980s, not only was President Saddam Husayn a Sunni, but he was the vice chairman of the ruling Baath Party. One of the two deputy prime ministers and the defense minister were also Sunnis. In addition, the top posts in the security services have usually been held by Sunnis, and most of the army's corps commanders have been Sunnis. It is also true that the most depressed region of the country is the south, where the bulk of the Shias reside.

Nonetheless, the theory of sectarian strife was undercut by the behavior of Iraq's Shia community during Iran's 1982 counter-invasion and the fighting thereafter. Although about three-quarters of the lower ranks of the army was composed of Shias, as of early 1988 no general insurrection of Iraqi Shias had occurred.

Even in periods of major setbacks for the Iraqi army—such as the Al Faw debacle in 1986—the Shias have continued to defend their nation and the Baath regime staunchly. They have done so despite intense propaganda barrages mounted by the Iranians, calling on them to join the Islamic revolution.

It appears, then, that, however important sectarian affiliation may have been in the past, in the latter 1980s nationalism was the basic determinant of loyalty. In the case of Iraq's Shias, it should be noted that they are Arabs, not Persians, and that they have been the traditional enemies of the Persians for centuries. The Iraqi government has skillfully exploited this age-old enmity in its propaganda, publicizing the war as part of the ancient struggle between the Arab and Persian empires. For example, Baathist publicists regularly called the war a modern day "Al Qadisiyah." Al Qadisiyah was the battle in 637 in which the Arabs defeated the pagan hosts of Persia, enabling Islam to spread to the East.

The real tension in Iraq in the latter 1980s was between the majority of the population, including Sunnis as well as Shias, for whom religious belief and practice were significant values, and the secular Baathists, rather than between Sunnis and Shias. Although the Shias were underrepresented in government posts in the period of the monarchy, they made substantial progress in the education, business, and legal fields. Their advancement in other areas, such as the opposition parties, was such that in the years from 1952 to 1963, before the Baath Party came to power, Shias held the majority of party leadership posts. Observers believed that in the late 1980s Shias were represented at all levels of the party roughly in proportion to government estimates of their numbers in the population. For example, of the eight top Iraqi leaders who in early 1988 sat with Saddam Husayn on the Revolutionary Command Council (RCC)—Iraq's highest governing body—three were Arab Shias

(of whom one had served as minister of interior), three were Arab Sunnis, one was an Arab Christian, and one a Kurd. On the Regional Command Council—the ruling body of the party—Shias actually predominated (see *The Baath Party*, ch. 4). During the war, a number of highly competent Shia officers had been promoted to corps commanders. The general who turned back the initial Iranian counterinvasions of Iraq in 1982 was a Shia.

The Shias continued to make good progress in the economic field as well during the 1980s. Although the government did not publish statistics that give breakdowns by religious affiliation, qualified observers noted that many Shias migrated from rural areas, particularly in the south, to the cities, so that not only Basra but other cities including Baghdad acquired a Shia majority. Many of these Shias prospered in business and the professions as well as in industry and the service sector. Even those living in the poorer areas of the cities were generally better off than they had been in the countryside. In the rural areas as well, the educational level of Shias came to approximate that of their Sunni counterparts.

In summary, prior to the war the Baath had taken steps toward integrating the Shias. The war created inordinate demands for manpower that could be met only by levying the Shia community, and this strengthened the regime's resolve to further the integration process. In early 1988, it seemed likely that when the war ended, the Shias would emerge as full citizens—assuming that the Baath survived the conflict.

Social Systems

The impact of Western penetration on the indigenous social and demographic structure in the nineteenth century was profound. Western influence initially took the form of transportation and trading links and encouraged the switch from tribal-based subsistence agriculture to cash crop production—mostly dates—for export (see *Agriculture*, ch. 3). As this process accelerated, the nomadic population decreased both relatively and in absolute numbers and the rural sedentary population increased substantially, particularly in the southern region. This was accompanied by a pronounced transformation of tenurial relations: the tribal, communal character of subsistence production was transformed on a large scale into a landlord-tenant relationship; tribal shaykhs, urban merchants, and government officials took title under the open-ended terms of the newly promulgated Ottoman land codes. Incentives and pressures on this emerging landlord class to increase production (and thus exports and earnings) resulted in expanded cultivation and simultaneously absorbed the “surplus” labor of the tribal, pastoral, and

nomadic people of Iraqi society. This prolonged process of sedentarization was disrupted by the dismemberment of the Ottoman Empire during and after World War I, but it resumed with renewed intensity in the British mandate period, when the political structure of independent Iraq was formed (see World War I and the British Mandate, ch. 1). This threefold transformation of rural society—pastoral to agricultural, subsistence to commercial, tribal-communal to landlord-peasant—was accompanied by important shifts in urban society as well. There was a general increase in the number of market towns and in the size of their populations, but the destruction of handicraft industries, especially in Baghdad, by the import of cheap manufactured goods from the West, led to an absolute decline in the population of urban centers. It also indelibly stamped the subsequent urban growth with a mercantile and bureaucratic-administrative character that is still a strong feature of Iraqi society.

Thus, the general history of Iraqi population dynamics in the modern era can be described as a period extending from the middle of the nineteenth century to World War II, characterized chiefly by urbanization, with a steady and growing movement of people from the rural (especially southern) region to the urban (especially central) region. Furthermore, the basic trends of the 1980s are rooted in the particularly exploitive character of agricultural practices in regard to both the land itself and the people who work it. Declining productivity of the land, stemming from the failure to develop drainage along the irrigation facilities and from the wretched condition of the producers, has resulted in a potentially harmful demographic trajectory—the depopulation of the countryside—that in the late 1980s continued to thwart government efforts to reverse the decades-long pattern of declining productivity in the agricultural sector.

The accelerated urbanization process since World War II is starkly illustrated in the shrinking proportion of the population living in rural areas: 61 percent in 1947, decreasing to 56 percent in 1965, then 36 percent in 1977, and an estimated 29.5 percent in 1987; concurrently, between 1977 and 1987, the urban population rose from 7,646,054 to an estimated 11,483,000. The rural exodus has been most severe in Al Basrah and Al Qadisiyah governorates. The proportion of rural to urban population was lowest in the governorates of Al Basrah (37 percent in 1965, and 12 percent in 1987) and Baghdad (48 percent in 1965 and 7 percent in 1987). It was highest in Dhi Qar Governorate where it averaged 49 percent in 1987, followed closely by Al Muthanna and Diyala governorates, each with a rural population of 48 percent of total

*Christian church, Baghdad
Courtesy Ronald L. Kuipers*



population. Between 1957 and 1987, the population of Baghdad and Al Basrah governorates grew by 73 percent and 41 percent respectively. During the same years, the city of Baghdad grew by 87 percent, and the city of Basra grew by 64 percent.

Because of the war, the growth of Al Basrah Governorate has been reversed while that of Baghdad Governorate has accelerated alarmingly to the 1987 census figure for urban Baghdad of 3,600,000. Iranian forces have mounted an offensive each year of the war since 1980, except for early 1988, seeking to capture Basra and the adjoining area and subjecting the city to regular bombardment. As a result, large numbers of the population have fled northward from Basra and other southern areas, and many have entered Baghdad, which was already experiencing overcrowding. The government has attempted to deal with this situation by moving war refugees out of the capital and resettling them in other smaller cities in the south, out of the range of the fighting.

Rural Society

Rural Iraq contains aspects of the largely tribal mode of social organization that prevailed over the centuries and still survived in the 1980s—particularly in the more isolated rural areas, such as the rugged tableland of the northwest and the marshes of the south. The tribal mode probably originated in the unstable social conditions that resulted from the protracted decline of the Abbasid

Caliphate (A.D. 750-1258) and the subsequent cycles of invasion and devastation.

In the absence of a strong central authority and of the urban society of a great civilization, society developed into smaller units under conditions that placed increasing stress on prowess, decisiveness, and mobility. Under these conditions, the tribal shaykhs emerged as a warrior class, and this development facilitated the ascendancy of the fighter-nomad over the cultivator.

The gradual sedentarization that began in the mid-nineteenth century brought with it an erosion of the power of shaykhs and a disintegration of the tribal system. Under the British mandate, and the monarchy that was its creation, a reversal took place. Despite the continued decline of the tribe as a viable and organic social entity, the enfeebled power of the shaykhs was restored and was enhanced by the British. This was done to develop a local ruling class that could maintain security in the countryside and could otherwise head off political challenges to British access to Iraq's mineral and agricultural resources and Britain's paramount role in the Persian Gulf shaykhdoms (see World War I and the British Mandate, ch. 1). Specifically, through the implementation of land registration, the traditional pattern of communal cultivation and pasturage—with mutual rights and duties between shaykhs and tribesmen—was superseded in some tribal areas by the institution of private property and by the shaykhs' expropriation of tribal lands as private estates. The status of the tribesmen was in many instances reduced drastically, to that of sharecroppers and laborers. The additional ascription of judicial and police powers to the shaykh and to his retinue left the tribesmen-cum-peasants as virtual serfs, continuously in debt and in servitude to the shaykh turned landlord and master. The social basis for the shaykhs' power had been transformed from military valor and moral rectitude to the possession of wealth as embodied in vast landholdings and in a claim to the greater share of the peasants' production.

This change was the social dimension of the transformation from a subsistence, pastoral economy to an agricultural economy linked to the world market. It was, of course, an immensely complicated process, and conditions varied in different parts of the country. The main impact was in the southern half—the riverine economy—more than in the sparsely populated, rain-fed northern area. A more elaborate analysis of this process would have to look specifically at the differences between Kurdish and Arab shaykhs, between political and religious leadership functions, between Sunni and Shia shaykhs, and between nomadic and riverine shaykhs, all within their ecological settings. In general the biggest estates developed

in areas restored to cultivation through dam construction and by pump irrigation after World War I. The most autocratic examples of shaykhly power were in the rice-growing region near Al Amarah, where the need for organized and supervised labor and the rigorous requirements of rice cultivation generated the most oppressive conditions.

The role of the tribe as the chief politico-military unit was already well eroded by the time the monarchy was overthrown in July 1958. The role of some tribal shaykhs had been abolished by the central government. The tribal system survived longest in the mid-Euphrates area, where many tribesmen had managed to register small plots in their own names and had not become mere tenants of the shaykh. In such settings, an interesting amalgam developed of the traditional customs of the tribes and the more modern practices of the civil servants sent to rural regions by the central government—both influenced by the expanded government education system. For example, the government engineer responsible for the water distribution system, although technically not a major administrator, in practice became the leading figure in rural areas. He would set forth requirements for the cleaning and the maintenance of the canals (see *Agriculture*, ch. 3), and the tribal shaykh would see to it that the necessary manpower was provided. This service, in the minds of tribesmen, replaced the old customary obligation of military service that they owed to the shaykh and was not unduly onerous. It could readily be combined with work on their own grazing or producing lands, and it benefited the tribe as a whole. The government administrators usually avoided becoming involved in legal disputes that might result from water rights, leaving the disputes to be settled by the shaykh in accordance with traditional tribal practices. Thus, despite occasional tensions in such government-tribe relationships, the power of the central government gradually expanded into regions where Baghdad's influence had previously been slight or absent.

Despite the erosion of the historic functions of tribal organization, the prolonged absence of alternative social links has helped to preserve the tribal character of individual and group relations. The complexity of these relations is impressive. Even in the southern, irrigated part of the country there are notable differences between the tribes along the Tigris, subject to Iranian influences, and those of the Euphrates, whose historic links are with the Arab beduin tribes of the desert. Since virtually no ethnographic studies on the Tigris peoples existed in the late 1980s, the following is based chiefly on research in the Euphrates region.

The tribe represents a concentric social system linked to the classical nomadic structure but modified by the sedentary environment and limited territory characteristic of the modern era. The primary unit within the tribe is the named agnatic lineage several generations deep to which each member belongs. This kinship unit shares responsibilities in feuds and in war; it restricts and controls marriage within itself; and it jointly occupies a specified share of tribal land. The requirements of mutual assistance preclude any significant economic differentiation, and authority is shared among the older men. The primary family unit rests within the clan, composed of two or more lineage groups related by descent or adoption. The clans are units of solidarity in disputes with other clans in the tribe, although there may be intense feuding among the lineage groups within the clan. The clan also represents a shared territorial interest, because the land belonging to the component lineage groups customarily is adjacent. A clan, nevertheless, can switch its allegiance from its ancestral tribal unit to a stronger, ascendant tribe.

Several clans united under a single shaykh form a tribe (*ashira*). This traditionally has been the dominant politico-military unit although, because of unsettled conditions, tribes frequently band together in confederations under a paramount shaykh. The degree of hierarchy and of centralization operative in a given tribe seems to correlate with the length of time it has been sedentary: the Bani Isad, for example, which has been settled for several centuries, is much more centralized than the Ash Shabana, which has been sedentary only since the end of the nineteenth century.

In the south, only the small hamlets scattered throughout the cultivated area are inhabited solely by tribesmen. The most widely spread social unit is the village, and most villages have resident tradesmen (*ahl as suq*—people of the market) and government employees. The lines between these village dwellers and the tribespeople, at least until just before the war, were quite distinct, although the degree varied from place to place. As the provision of education, health, and other social services to the generally impoverished rural areas increases, the number and the social influence of these nontribal people increase. Representatives of the central government take over roles previously filled by the shaykh or by his representatives. The government school competes with the religious school. The role of the merchants as middlemen—buyers of the peasants' produce and providers of seeds and implements as well as of food and clothing—has not yet been superseded in most areas by government-sponsored cooperatives and extension agencies. Increasingly in the 1980s, government employees

were of local or at least rural origin, whereas in the 1950s they usually were Baghdadis who had no kinship ties in the region, who wore Western clothing, and who viewed their assignments as exile and as punishment. In part, the administrators initially provoked the mutual antagonism that later flourished between them and the peasants, particularly as Sunni officials were often assigned to Shia villages. The merchants, however, were from the some region—if not from the same village—and were usually the sons of merchants.

Despite some commercial developments in rural areas, in the late 1980s the economic base was still agriculture and, to a lesser but increasing extent, animal husbandry. Failure to resolve the technical problem of irrigation drainage contributed to declining rural productivity, however, and accentuated the economic as well as the political role of the central government. The growth of villages into towns—and whatever other signs of recent prosperity there were—should be viewed, therefore, more as the result of greater government presence than as locally developed economic viability. The increased number of government representatives and employees added to the market for local produce and, more important, promoted the diffusion of state revenues into impoverished rural areas through infrastructure and service projects. Much remained to be done to supply utilities to rural inhabitants; just before the war, the government announced a campaign to provide such essentials as electricity and clean water to the villages, most of which still lacked these (see *Electricity*, ch. 3). The government has followed through on several of these projects—particularly in the south—despite the hardships caused by the war. The regime apparently felt the need to reward the southerners, who had suffered inordinately in the struggle.

Impact of Agrarian Reform

One of the most significant achievements of the fundamentally urban-based revolutionary regime of Abd al Karim Qasim (1958–63) was the proclamation and partial implementation of a radical agrarian reform program. The scope of the program and the drastic shortage of an administrative cadre to implement it, coupled with political struggles within the Qasim regime and its successor regimes, limited the immediate impact of the program to the expropriation stage. The largest estates were easily confiscated, but distribution lagged owing to administrative problems and to the wasted, saline character of much of the land expropriated; moreover, landlords could choose the best of the lands to keep for themselves.

The impact of the reforms on the lives of the rural masses can only be surmised on the basis of uncertain official statistics and

of rare observations and reports by outsiders, such as officials of the United Nations Food and Agriculture Organization. The development of cooperatives, especially their capacity as marketing agents, was one of the most obvious failures of the program, although there were isolated instances of success. In some of these instances, traditional elders were mobilized to serve as cooperative directors, and former *sirkals*, clan leaders who functioned as foremen for the shaykhs, could bring a working knowledge of local irrigation needs and practices to the cooperative.

The continued impoverishment of the rural masses was evident, however, in the tremendous migration that continued, through the 1960s, 1970s, and into the 1980s, from rural to urban areas. According to the Ministry of Planning, the average rate of internal migration from the countryside increased from 19,600 a year in the mid-1950s to 40,000 a year in the 1958 to 1962 period. A study of 110 villages in the Nineveh and Babylon governorates concluded that depressed rural conditions and other variables—rather than job opportunities in the modern sector—accounted for most of the migration.

There was little doubt that this massive migration and land reform reduced the number of landless peasants. The most recent comprehensive tenurial statistics available before the war broke out—the Agricultural Census of 1971—put the total farmland (probably meaning cultivable land, rather than land under cultivation) at more than 5.7 million hectares, of which more than 98.2 percent was privately owned. About 30 percent of this had been distributed under the agrarian reform. The average size of the holdings was about 9.7 hectares, but 60 percent of the holdings were smaller than 7.5 hectares, which accounted for less than 14 percent of the total area. At the other end of the scale, 0.2 percent of the holdings were 250 hectares or larger, which amounted to more than 14 percent of the total. Fifty-two percent of the total was owner-operated, 41 percent was farmed under rental agreements, 4.8 percent was worked by squatters, and only 0.6 percent was sharecropped. The status of the remaining 1.6 percent was uncertain. On the basis of limited statistics released by the government in 1985, the amount of land distributed since the inception of the reform program totaled 2,271,250 hectares (see *Land Tenure and Agrarian Reform*, ch. 3).

Political instability throughout the 1960s hindered the implementation of the agrarian reform program, but after seizing power in 1968 the Baath regime made a considerable effort to reactivate it. Law No. 117 (1970) further limited the maximum size of holdings, eliminated compensation to the landowner, and abolished payments by beneficiaries, thus acknowledging the extremity of peasant indebtedness and poverty.

The reform created a large number of small holdings. Given the experience of similar efforts in other countries, foreign observers have surmised that a new stratification has emerged in the countryside, characterized by the rise of middle-level peasants who, either directly or through their leadership in the cooperatives, control much of the agricultural machinery and its use. Membership in the ruling Baath Party is an additional means of securing access to, and control over, such resources. Prior to the war, the party seemed to have few roots in the countryside, but, after the ascent of Saddam Husayn to the presidency in 1979, a determined effort was made to build bridges between the party cadre in the capital and in the provinces. It is noteworthy that practically all party officials promoted to the second echelon of leadership at the 1982 party congress had distinguished themselves by mobilizing party support in the provinces.

Even before the war, migration created serious labor shortages. In the 1980s, as the war has driven whole communities to seek refuge in the capital, this shortage has been exacerbated. The government has attempted to compensate for this shortage by importing turnkey projects with foreign professionals. In the Kurdish areas of the north, however—and to a degree in the southern region infested by deserters—the safety of foreign personnel has been difficult to guarantee; therefore, many projects have had to be temporarily abandoned. Another government strategy for coping with the labor shortage caused by the war has been to import Egyptian workers. It has been estimated that as many as 1.5 million Egyptians have found employment in Iraq since the war began.

Urban Society

Iraq's society just before the outbreak of the war was undergoing profound and rapid social change that had a definite urban focus. The city has historically played an important economic and political role in the life of Middle Eastern societies, and this was certainly true in the territory that is present-day Iraq. Trade and commerce, handicrafts and small manufactures, and administrative and cultural activities have traditionally been central to the economy and to the society, notwithstanding the overwhelmingly rural character of most of the population. In the modern era, as the country, and particularly its commercial and administrative sectors, witnessed a growing involvement with the world market, the growth of a few urban centers, notably Baghdad and Basra, has been astounding. The war, however, has altered this pattern of growth remarkably—in the case of Baghdad accelerating it, and in the case of Basra shrinking it considerably.

Demographic estimates based on the 1987 census reflected an increase in the urban population of from 5,452,000 in 1970, to 7,646,054 in 1977 and to 11,483,000 in 1987—or to 70.5 percent of the population. Census data show the remarkable growth of Baghdad, in particular, from just over 500,000 in 1947 to 1,745,000 in 1965; and from 3,226,000 in 1977 to 3,600,000 in 1987.

The population of other major cities, according to the 1977 census, was 1,540,000 for Basra, 1,220,000 for Mosul, and 535,000 for Kirkuk (detailed information from the October 1987 census was lacking in early 1988). The port of Basra presents a more complex picture of accelerated growth up to the time the war erupted, then a sharp deceleration once the war started and the effects of the fighting around the city began to be felt. Between 1957 and 1965, Basra actually had a higher growth rate than Baghdad—90 percent in Basra compared with Baghdad's 65 percent. When the Iranians managed to sink several tankers in the Shatt al Arab, however, the waterway was effectively blocked, and the economy of the port city began to deteriorate. By 1988 repeated attempts by Iran to capture Basra had further eroded the strength of the city's commercial sector, and the heavy bombardment had rendered some quarters of Basra virtually uninhabitable. Reliable statistics were unavailable because of the war but the city's population in early 1988 was probably less than half that in 1977.

In the extreme north, the picture was somewhat different. There, a number of middle-sized towns have experienced very rapid growth—triggered by the unsettled conditions in the region. Early in the war, the government determined to fight Kurdish guerrilla activity by targeting the communities that allegedly sustained the rebels. It therefore cleared the local inhabitants from whole tracts of this mountainous region. The residents of the cleared areas fled to regional urban centers like Irbil, As Sulaymaniyah, and Dahuk; by and large they did not move to the major urban centers such as Mosul and Kirkuk.

Statistical details of the impact of overcrowding on the cities were generally lacking in the 1980s. According to accounts by on-the-spot observers, in Baghdad—and presumably in the other cities as well—there appeared to have been no systematic planning to cope with the growth of slum areas. Expansion in the capital until the mid-1970s had been quite haphazard. As a result, there were many open spaces between buildings and quarters. Thus, the squatter settlements that mushroomed in those years were not confined to the city's fringes. By the late 1950s, the *sarifahs* (reed and mud huts) in Baghdad were estimated to number 44,000, or almost 45 percent of the total number of houses in the capital.



A cafe in Baghdad
Courtesy Mokhless Al-Hariri

These slums became a special target of Qasim's government. Efforts were directed at improving the housing and living conditions of the *sarifah* dwellers. Between 1961 and 1963, many of these settlements were eliminated, and their inhabitants were moved to two large housing projects on the edge of the city—Madinat ath Thawra and An Nur. Schools and markets were also built, and sanitary services were provided. In time, however, Madinat ath Thawra and An Nur, too, became dilapidated, and just before the war Saddam Husayn ordered Madinat ath Thawra rebuilt as Saddam City. This new area of low houses and wide streets has radically improved the life-styles of the residents, the overwhelming majority of whom were Shias who had migrated from the south.

Another striking feature of the initial waves of migration to Baghdad and to other urban centers is that the migrants have tended to stay, bringing with them whole families. The majority of migrants were peasant cultivators, but shopkeepers, petty traders, and small craftsmen came as well. Contacts with their points of rural origin were not totally severed, and return visits were fairly common, but reverse migration was extremely rare. At least initially, there was a pronounced tendency for migrants from the same village to relocate in clusters to ease the difficulties of transition and to maintain traditional patterns of mutual assistance. Whether this pattern has continued into the war years is not known, but it seems likely. A

number of observers have reported neighborhoods in the capital that have been formed on the basis of village or even tribal origin.

An instance of the abrupt population shifts—although in the reverse direction—was that of the Iraqi Jews. The establishment of the state of Israel led to the mass exodus of this community in 1950, to be replaced by Shia merchants and traders, many of whom were descendants of Iranian immigrants from the heavily Shia populated areas of the south.

The urban social structure has evolved gradually over the years. In prerevolutionary Iraq it was dominated by a well-defined ruling class that was concentrated in Baghdad. This was an internally cohesive group, distinguished from the rest of the population by its considerable wealth and political power. The economic base of this class was landed wealth, but during the decades of the British mandate and of the monarchy, as landlords acquired commercial interests and merchants and government officials acquired real estate, a considerable intertwining of families and interests occurred. The result was that the Iraqi ruling class could not be easily separated into constituent parts: the largest commercial trading houses were controlled by families owning vast estates; the landowners were mostly tribal shaykhs but included many urban notables, government ministers, and civil servants. Moreover, the landowning class controlled the parliament, which tended to function in the most narrowly conceived interest of these landlords.

There was a small but growing middle class in the 1950s and the 1960s that included a traditional core of merchants, shopkeepers, craftsmen, professionals, and government officials, their numbers augmented increasingly by graduates from the school system. During the monarchy education had been the only area that was relatively independent of British advisers, and thus it was expanded as a conspicuous manifestation of government response to popular demand. It was completely oriented toward preparing people for white-collar, middle-class occupations. Within this middle class, and closely connected to the commercial sector, was a small industrial bourgeoisie whose interests were not completely identical with those of the more traditional sector.

Iraq's class structure at midcentury was characterized by great instability. In addition to the profound changes occurring in the countryside, there were the economic and social disruptions caused by the shortages and the spiraling inflation brought on by World War II. A few people made fortunes, but for most there was deprivation and, as a consequence, there was great social unrest. Long-time Western observers compared the situation of the urban masses unfavorably with conditions in the last years of Ottoman rule.

The trend of urban growth, which had begun in the days immediately preceding the revolution, took off in the mid-1970s, when the effects of the sharp increases in the world price of oil began to be felt. Oil revenues poured into the cities, where they were invested in construction and in real estate speculation. The dissatisfied peasantry then found even more cause to move to the cities because jobs—mainly in construction—were available, and even part-time, unskilled labor was an improvement over conditions in the countryside.

As for the elite, the oil boom of the 1970s brought greater diversification of wealth, some of which went to those attached to the land, and some to those involved in the regime, in commerce, and, increasingly, in manufacturing. The working class grew, but it was largely fragmented. Only a relatively small number were employed in businesses with ten or more workers, including those in the service sector. Between the elite and the working masses was the lower middle class of *petite bourgeoisie*. This traditional component consisted of the thousands of employees of small handicraft shops, which made up a huge part of the so-called manufacturing sector, and the even more numerous owners of one-man stores. The newer and more rapidly expanding part of this class consisted of professionals and semiprofessionals who were employed in the service and public sectors, including the officer corps, and the thousands of students looking for jobs. This class became particularly significant in the 1980s because former members of it have become the nation's elite. Perhaps the most important aspect of the growth of the public sector was the expansion of education facilities, which put pressure on the regime to find white-collar jobs for graduates in the noncommodity sectors.

Stratification and Social Classes

The prerevolutionary political system, with its parliament of landlords and hand-picked government supporters, was increasingly incompatible with the changing social reality that accompanied growing urban-based economic activity fueled by oil revenues. The faction of the elite investing in manufacturing, the *petite bourgeoisie*, and the working classes pressured the state to represent their interests. As the armed forces came to reflect this shift in the balance of social forces, radical political change became inevitable. The social origins and the political inclinations of the Free Officers (see Glossary) who carried out the 1958 overthrow of the monarchy as well as the various ideological parties that supported and succeeded them clearly reflect the middle-class character of the Iraqi revolution. Both the agrarian reform program and the protracted

campaign against the foreign oil monopoly were aimed at restructuring political and economic power in favor of the urban-based middle and lower classes. The political struggle between the self-styled radicals and the moderates in the 1960s chiefly concerned the role of the state and of the public sector in the economy: the radicals promoted a larger role for the state, and the moderates wanted to restrict it to the provision of basic services and of physical infrastructure.

There was a shift in the distribution of income after 1958 at the expense of the large landowners and the businessmen and in favor of the salaried middle class and, to a lesser degree, the wage earners and small farmers. The Baath Party, in power since July 1968, represented the lower stratum of the middle class, the sons of small shopkeepers and of petty officials, and the graduates of training schools, law schools, and military academies. In the 1980s, the ruling class tended to be composed of high- and middle-echelon bureaucrats who either had risen through the ranks of the party or who had been coopted into the party because of their technical competence, i.e., technocrats. The elite also consisted of army officers, whose wartime loyalty the government has striven to retain by dispensing material rewards and gifts.

The government's practice of lavishing rewards on the military has also affected the lower classes. Martyrs' benefits under the Baath have been extremely generous. Thus, the families of youths killed in battle could expect to receive at least an automobile and more likely a generous pension for life.

Family and Society

Kinship groups are the fundamental social units, regulating many activities that in Westernized societies are the functions of political, economic, religious, or neighborhood groups. Rights and obligations center on the extended family and on the lineage. The family remains the primary focus of loyalty; and it is in its context, rather than in the broader one of corporate loyalties defined by sectarian, ethnic, or economic considerations, that the majority of Iraqis find the common denominators of their everyday lives. A mutually protective attitude among relatives is taken as a matter of course. Relatives tend to be preferred as business partners because they are believed to be more reliable than people over whom one does not have the hold of kinship ties. Deeply ingrained family loyalty also manifests itself at higher levels of business and public life.

The characteristic form of family organization involves a large group of kinsmen who are related to one another through descent and marriage, that is, an extended family usually consisting of three



*Public transportation in Baghdad
Courtesy Mokhless Al-Hariri*

generations. The members of such an extended family may all live together, which is the more traditional pattern, or they may reside in separate nuclear families, but still share the values and functions of an extended family, such as depending upon one another and deferring to the older generations. As Iraqi society has become increasingly urbanized, however, the tendency toward nuclear family social organization, as opposed to mere nuclear residence, has become more prevalent. The status of an individual is traditionally determined by the position of his or her family in society and the individual's position within that group. The family transmits the values and the standards of behavior of the society to its members, and it holds them responsible for each other's conduct. It traditionally determines occupations and selects marriage partners. Kinsmen also cooperate in economic endeavors, such as farming or trade, and ownership of land and other assets frequently is vested in the group as a whole. The sharpest degree of divergence from these patterns occurs among educated, urban Iraqis, an ever-increasing proportion of the society.

Until 1959, family life was subject only to the regulation of religious law and of tradition. All Muslims were brought under a single body of family law for the first time in 1959 with the enactment of a secular law on personal status, based on sharia, statutes from other Islamic countries, and legal precedents established in Iraqi

courts; a brief amendment of the law was enacted in 1963. The law spells out provisions governing the right to contract marriage, the nature of the contract, the economic rights of the partners, divorce and child custody, as well as bequests and inheritance.

The basic structural unit of the family consists of a senior couple, their sons, the sons' wives and children, and unmarried daughters. Other dependent relatives may also be attached to the group. The senior male is the head of the family; he manages its properties and has the final voice in decisions. Kinsmen are organized into still larger groups. The next level of organization is the lineage, composed of all persons, male and female, who trace their descent from a common ancestor. The number of generations by which this ancestor is removed from the oldest living one varies; a depth of four to six generations is usual.

Individuals or whole families of other descent sometimes attach themselves to a particular lineage in an arrangement of mutual advantage, becoming recognized after several generations as full members of the lineage on equal terms with those born into it. In small villages, most people are likely to belong to the same lineage; in larger ones, two or more lineages may be represented, but lineage ties are tempered by economic cooperation, by intermarriage, and by the authority of the village leadership or elders. Among nontribal Iraqis, kinship organization and traditions of common descent do not go beyond the lineage. Awareness of distant ties is keen among recent migrants to the cities and among the rural population.

In rural areas, new households are not usually set up until many years after the initial recognition of a marriage. In general, the wife moves in with her husband's parents, where the young couple remains for some time. Often this arrangement is maintained until the death of the father. Even when the father dies, the brothers sometimes stay together, forming joint family households that include themselves, their wives, and their children.

The actual number of persons who make up the household is determined by the family's economic circumstances, its pattern of living, and its mode of habitation. In an agricultural setting, as long as ownership of land and other possessions is vested in the family as a whole, the possibilities for a young man's being able to set up an independent household are limited. In urban centers, on the other hand, young men can avail themselves of wage-earning employment.

Authority within the family is determined by seniority and by gender. The father, in theory, has absolute authority over the activities of the members of the household, both within the confines of

the house and outside it. He decides what education his children will receive, what occupations his sons will enter, and, usually in consultation with his wife, whom his children will marry. These authority patterns also have been greatly weakened in the urban environment and by the shift of more and more responsibilities from the family to larger social institutions, such as the schools.

An even greater change in the traditional pattern of male dominance has been brought about by the war. Because Iraq is numerically a much smaller nation than Iran, it has experienced considerable difficulty in maintaining an adequate defense on the battlefield. In order to field a sufficient force, it has had to draw down the available labor pool on the home front, and, to compensate for this, it has mobilized women. In the mid-1980s, observers reported that in many ministries the overwhelming proportion of employees were women. Foreign contractors have encountered women supervisors on huge construction projects, women doctors in the hospitals, and even women performing law enforcement roles. This emancipation—extraordinary for an Arab country—was sanctioned by the government, which issued a significant amount of propaganda publicizing the role of women in helping to win the war. The government further maintained that after the war women would be encouraged to retain their newfound work roles; this was doubtful, however, because in the same breath the government declared its determination to increase the birthrate.

The Muslim majority has traditionally regarded marriage as primarily a civil contract between two families, arranged by parents after negotiations that may be prolonged and conducted by an intermediary. The arrangement of a marriage is a family matter in which the needs and the position of the corporate kin group are primary considerations. Prospective partners are often known to each other, and they frequently come from the same village and the same kin group. Among educated urban dwellers, the traditional pattern of contracting marriage is giving way to a pattern in which the young people make their own choices, but parents must still approve.

With regard to marriage and to divorce, the 1959 Law of Personal Status, amended in 1963, liberalized various provisions that affected the status of women; in practice, however, the Iraqi judiciary up until the revolution tended to be conservative in applying the provisions of the law. Specifically, Iraqi law required that divorce proceedings be initiated in a court of law, but the husband still had the controlling role in dissolving the marriage. A man who wanted to marry a second wife was required first to get approval from the court. Provision was also made for the custody

of children to be based on consideration of the welfare of the child.

Economic motivation and considerations of prestige and of family strength all contribute to the high value placed on large families. The greater the number of children, especially sons, the greater the prestige of the father, and, through him, that of the family as a whole. Boys are especially welcome because they are the carriers of the family tradition, and because their economic contribution in an agricultural society is greater than that of girls.

Between the ages of three and of six, children are given freedom to learn by imitating older siblings. Strong emphasis is then placed on conformity with elders' patterns and on loyalty and obedience. Family solidarity is stressed. The passage from adolescence to maturity is swift. Upon reaching puberty, there traditionally is a separation of sexes, and girls are excluded from male society except that of their close kin. Great emphasis is placed on premarital chastity, and this is one reason for early marriages. Boys have greater freedom during adolescence than girls, and at this time they begin to be drawn into the company of their fathers and into the world of men.

Education and Welfare

Education

The impact of government policies on the class structure and on its stratification patterns can be imputed from available statistics on education and training as well as on employment and wage structures. Owing to the historic emphasis on the expansion of education facilities, the leaders of the Baath Party and, indeed, much of Iraq's urban middle class were able to move from rural or urban lower class origins to middle and even to top positions in the state apparatus, the public sector, and the society at large.

This social history is reflected in the efforts of the government to generalize opportunities for basic education throughout the country. Between the 1976-77 and the 1985-86 school years, the number of primary-school students increased 44 percent, and the number of female students increased from 35 to 45 percent of the total. The number of primary-school teachers grew 67 percent during this period. At the secondary level, the number of students increased 87 percent, and the number of female students increased from 30 to 36 percent of the total (see table 4, Appendix).

Education was provided by the government through a centrally organized school system. In the early 1980s, the system included a six-year primary (or elementary) level known as the first level.



*University of Baghdad
Courtesy Mokhless Al-Hariri*

The second level, also of six years, consisted of an intermediate-secondary level and an intermediate-preparatory level, each of three years. Graduates of these schools could enroll in a vocational school, in one of the teacher training schools or institutes, or in one of the various colleges, universities, or technical institutes.

The number of students enrolled in primary and in secondary schools was highest in the central region and lowest in the north, although the enrollment in the northern schools was only slightly lower than that in the southern. Before the war, the government had made considerable gains in lessening the extreme concentration of primary and of secondary educational facilities in the main cities, notably Baghdad. Vocational education, which had been notoriously inadequate in Iraq, received considerable official attention in the 1980s. The number of students in technical fields has increased more than 300 percent since 1976-77, to more than 120,090 in the academic year 1985-86.

The Baath regime also seemed to have made progress since the late 1960s in reducing regional disparities, although these were far from being eliminated and no doubt were more severe than statistics would suggest. Baghdad, for example, was the home of most education facilities above the secondary level; it was the site not only of the University of Baghdad, which in the academic year 1985-86 (the most recent year for which statistics were available in early 1988) had 44,307 students, but also of the Foundation of Technical Institutes with 34,858 students, the University of Al Mustansiriyah with 14,886 students, and the University of Technology with 7,378 students. The University of Basra, the University of Mosul, and the University of Salah ad Din in Irbil, taken together, enrolled 28 percent of all students in higher education in the academic year 1985-86.

The number of students seeking to pursue higher education in the 1980s increased dramatically. Accordingly, in the mid-1980s the government made plans to expand the University of Salah ad Din. In addition, in January 1988, the government created four more public universities, at Tikrit in the central area, at Al Kufah and at Al Qadisiyah in the south, and at Al Anbar in the west. Details of these universities were not known.

The outbreak of the war posed a difficult dilemma for the government regarding education. Despite the shortage of wartime manpower, the regime was unwilling to tap the pool of available university students, arguing that these young people were Iraq's hope for the future. As of early 1988, therefore, the government routinely exempted students from military service until graduation, a policy it has adhered to rigorously. This policy, however,

has probably caused resentment among the poorer classes and among those forced to serve multiple tours at the front because of continuing manpower shortages.

Health

In the 1980s, almost all medical facilities continued to be controlled by the government, and most physicians were Ministry of Health officials. Curative and preventive medical services in government-controlled hospitals and dispensaries as well as the services of government physicians were free of charge. The ministry included the directorates of health, preventive medicine, medical supplies, rural health services, and medical services. The inspector general of health, under the ministry, was charged with the enforcement of health laws and regulations. Private medical practice and private hospitals and clinics were subject to government supervision. In each province, Ministry of Health functions were carried out by a chief medical officer who, before the war, frequently had a private practice to supplement his government salary. Provincial medical officers were occupied mainly with administrative duties in hospitals, clinics, and dispensaries. The work of medical officers in the rural areas before the war was seriously curtailed by lack of transportation.

One of the most serious problems facing the Ministry of Health in the prewar period was its shortage of trained personnel. The shortage was accentuated by the fact that most medical personnel tended to be concentrated in the major cities, such as Baghdad and Basra. Physicians trained at government expense were required to spend four years in the public health service, but they strongly resisted appointments to posts outside the cities and made every effort to return to Baghdad.

In 1985, the latest year for which detailed statistics were available in early 1988, Baghdad Governorate, which had about 24 percent of the population, had just over 36 percent of the country's hospital beds, 18 percent of the government clinics, and 31 percent of the paramedical personnel. The increasing number of clinics in the provinces brought some rudimentary health care within reach of the rural population. At the same time, given the unsettled conditions in the Kurdish areas, it was likely that health care in the northern provinces had deteriorated since the start of the war (see table 5, Appendix).

Published information concerning sanitation and endemic diseases was scanty. Reportedly, in the mid-1980s Iraq had a high incidence of trachoma, influenza, measles, whooping cough, and tuberculosis; it had, however, made substantial progress in

controlling malaria. Prior to the war, poor sanitation and polluted water sources were principal factors in the spread of disease. A large percentage of the population lived in villages and in towns that were along irrigation canals and along rivers polluted with human and animal wastes. These waterways, together with the stagnant pools of water that sometimes constituted the village reservoir, were the major sources of drinking water and of water for bathing, laundering, and washing food. The periodic flooding of rivers contaminated water supplies and spread waterborne diseases.

The Tigris and Euphrates rivers and their tributaries serve as water sources for Baghdad and for some of the major provincial towns. Irbil and As Sulaymaniyah, located in the northern mountains, have adequate supplies of spring water. In Basra, Mosul, and Kirkuk the water is stored in elevated tanks and is chemically treated before distribution. In Baghdad, the water is filtered, chlorinated, and piped into homes or into communal fountains located throughout the city. In the smaller towns, however, the water supply is unprotected and is only rarely tested for potability.

Welfare

Iraq, with its socialist economy, pays considerable attention to welfare. This regard for social benefits has been increased by the war. No statistics were available in early 1988 by which to judge the scope of benefits paid by the government to its servicemen and to their families. Nonetheless, journalistic reports indicated that martyrs' benefits—for the families of war dead—and subsidies for young men who volunteer for service tended to be extremely generous. A family that had lost a son in the fighting could expect to be subsidized for life; in addition, it was likely to receive loans from the state bank on easy terms and gifts of real estate.

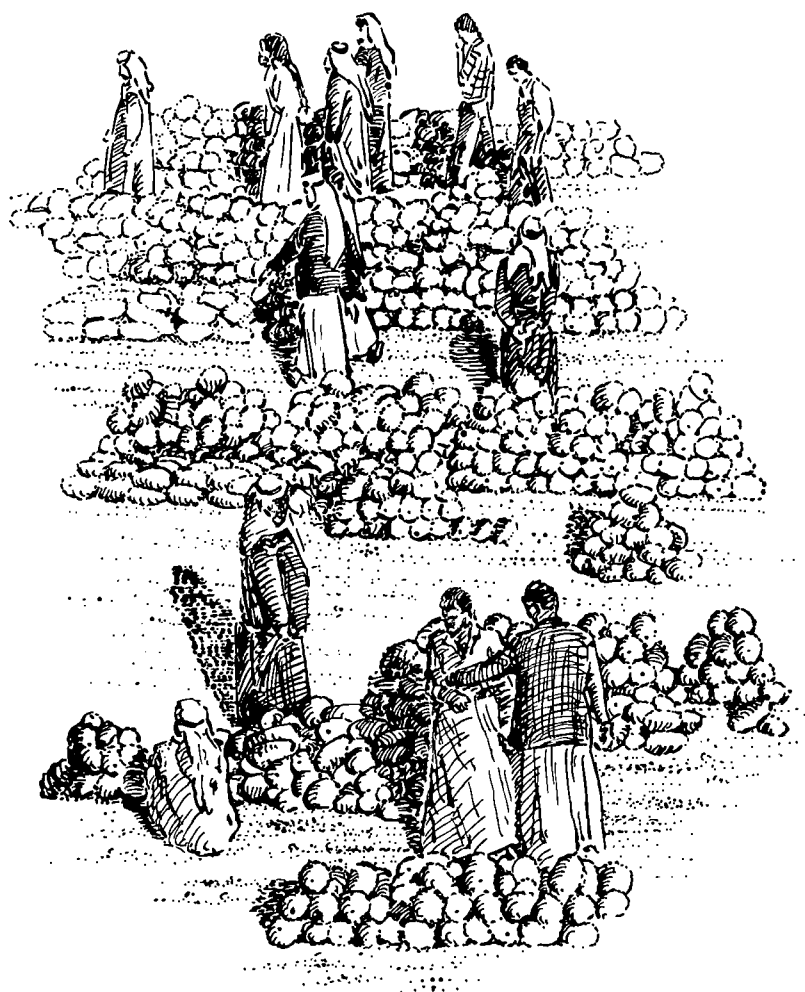
Minimal information was available in early 1988 concerning social welfare coverage. The most recent published data was that for 1985, when the government gave a figure of 703,776 workers. In addition, pensions were paid to retirees and to disabled persons, and compensation was given to workers for maternity and for sick leave. Observers anticipated that once the war with Iran ended, the government would devote greater attention to improving health and social welfare services.

* * *

Although a number of first rate military analyses of Iraq and of the war have appeared since 1980, there has been little useful research on social change. Much of the information that would make

up such studies has been withheld by the government because of wartime censorship, and in some cases material that has been made available appears to be untrustworthy. A number of classics, therefore, continue to be required reading for those interested in the society of Iraq. Wilfred Thesiger's *The Marsh Arabs* graphically depicts life among the southern Shias in the mid-and late 1950s. Robert Fernea's *Shaykh and Effendi* describes social conditions in the central Euphrates valley and Elizabeth Fernea's *Guests of the Sheik* deals with the role of women particularly. A classic historical treatment of the Kurdish question is found in Edmund Ghareeb's *The Kurdish Question in Iraq*. The latest work on the subject is *The Kurds: An Unstable Element in the Gulf* by Stephen Pelletiere. For an excellent treatment of the Baathist elite see *The Old Social Classes and the Revolutionary Movements of Iraq* by Hanna Batatu. Also on the same topic is *Iraq, Eastern Flank of the Arab World* by Christine Helms. For the best all-around treatment of Iraq in the recent period, see Phebe Marr's *The Modern History of Iraq*. (For further information and complete citations, see Bibliography.)

Chapter 3. The Economy



Watermelons for sale in the marketplace

FOLLOWING THE 1968 Baath (Arab Socialist Resurrection) Party revolution, Iraq's government pursued a socialist economic policy. For more than a decade, the economy prospered, primarily because of massive infusions of cash from oil exports. Despite a quadrupling of imports between 1978 and 1980, Iraq continued to accrue current account surpluses in excess of US\$10 billion per year. In 1980 on the eve of the outbreak of the Iran-Iraq War, Iraq held reserves estimated at US\$35 billion. When Iraq launched the war against Iran in 1980, the Iraqis incorrectly calculated that they could force a quick Iranian capitulation and could annex Iranian territory at little cost in either men or money. Using a number of means, Iraq opted to keep the human costs of the war as low as possible, both on the battlefield and on the home front. In battle, Iraq attempted to keep casualties low by expending and by losing vast amounts of matériel. Behind the lines, Iraq attempted to insulate citizens from the effects of the war and to head off public protest in two ways. First, the government provided a benefits package worth tens of thousands of dollars to the surviving relatives of each soldier killed in action. The government also compensated property owners for the full value of property destroyed in the war. Second, the government adopted a "guns and butter" strategy. Along with the war, the government launched an economic development campaign of national scope, employing immigrant laborers to replace Iraqi fighting men.

In 1981, foreign expenditures not directly related to the war effort peaked at an all-time high of US\$23.6 billion, as Iraq continued to import goods and services for the development effort, and construction continued unabated. Additionally, Iraq was paying an estimated US\$25 million per day to wage the war. Although the Persian Gulf states contributed US\$5 billion toward the war effort from 1980 to 1981, Iraq raised most of the money needed for war purposes by drawing down its reserves over several years. Iraq could not replenish its reserves because most of its oil terminals were destroyed by Iran in the opening days of the war. Iraqi exports dropped by 60 percent in 1981, and they were cut further in 1982 when Syria, acting in accord with Iran, closed the vital Iraqi oil export pipeline running through Syrian territory.

The total cost of the war to Iraq's economy was difficult to measure. A 1987 study by the Japanese Institute of Middle Eastern Economies estimated total Iraqi war losses from 1980 to 1985 at

US\$226 billion. This figure was disaggregated into US\$120.8 billion in gross domestic product (GDP—see Glossary) lost in the oil sector, US\$64 billion GDP lost in the nonoil sector, US\$33 billion lost in destroyed matériel, and US\$8.2 billion lost in damage to non-oil sector fixed capital investment. Included in the lost GDP was US\$65.5 billion in lost oil revenues and US\$43.4 billion in unrealized fixed capital investment.

As the 1980s progressed, the Iran-Iraq conflict evolved into a protracted war of attrition, in which Iran threatened to overwhelm Iraq by sheer economic weight and manpower. Although Iraq implemented some cost-cutting measures, the government feared that an austerity plan would threaten its stability, so it turned to outside sources to finance the war. Iraq's Persian Gulf neighbors assumed a larger share of the economic burden of the war, but as the price of oil skidded in the mid-1980s, this regional support of Iraq diminished. For the first time, Iraq turned to Western creditors to finance its deficit spending. Iraq's leadership calculated correctly that foreign lenders, both government and private, would be willing to provide loans and trade credit to preserve their access to the Iraqi economy, which would emerge as a major market and an oil supplier after the war. But the sustained slump in oil prices made foreign creditors more skeptical of Iraq's long-term economic prospects, and some lenders apparently concluded that providing more loans to Iraq amounted to throwing good money after bad. Some creditors were also wary of Iraq's postwar prospects because of Iranian demands for tens of billions of dollars in reparations as the price for any peace settlement. Although Iraq would probably pay only a fraction of the reparations demanded (and that, most likely, with the help of other Persian Gulf countries), a large settlement would nonetheless delay Iraq's postwar economic recovery.

In 1988, as the war entered its eighth year and Iraq's debt topped US\$50 billion, the government was implementing comprehensive economic reforms it had announced in 1987. Iraq's new economic policy was designed to reverse twenty years of socialism by relinquishing considerable state control over the economy to the private sector. It was not immediately clear if this move would result in a fundamental and enduring restructuring of Iraq's economy, or if it was merely a stopgap measure to boost productivity, to cut costs, to tap private sector savings, and to reassure Western creditors.

Growth and Structure of the Economy

In the 1960s, investment in industry accounted for almost one-quarter of the development budget, about twice the amount spent

under the monarchy in the 1950s. After the 1968 Baath revolution, the share allocated to industrial development grew to about 30 percent of development spending. With the advent of the Iran-Iraq War, however, this share decreased to about 18 percent. Development expenditure on agriculture fell from about 40 percent under the prerevolutionary regime to about 20 percent under the Baath regime in the early 1970s. By 1982, investment in agriculture was down to 10 percent of the development budget.

Total Iraqi GDP, as well as sectoral contribution to GDP, could only be estimated in the 1980s. On the eve of the Iran-Iraq War, the petroleum sector dominated the economy, accounting for two-thirds of GDP. The outbreak of war curtailed oil production, and by 1983 petroleum contributed only one-third of GDP. The non-petroleum sector of the economy also shrank, and, as a consequence, total real GDP dropped about 15 percent per year from 1981 to 1983. To a lesser extent, nominal GDP also shrank, from about US\$20 billion to US\$18 billion, an indication of high wartime inflation. The decline in GDP was reversed between 1984 and 1986, when oil production grew at about 24 percent per year as the government secured outlets and resumed exports. But over the same period, the nonpetroleum sector of the economy continued to contract by about 6 percent per year, offsetting gains from increased oil production. In 1986, the petroleum sector revived to the extent that it contributed about 33.5 percent of GDP, while the nonpetroleum sector, including services, manufacturing, and agriculture, accounted for the remainder. Business services, the largest component of nonpetroleum GDP, amounted to about 23 percent of GDP. Agriculture accounted for about 7.5 percent of GDP, mining and manufacturing for slightly less than 7 percent, construction for almost 12 percent, transportation and communications for about 4.5 percent, and utilities for between 1 and 2 percent. The total estimated GDP for 1986 was equivalent to US\$35 billion.

Projections based on economic trends indicated that total GDP would grow about 6 percent annually over the five-year period from 1987 to 1991. In fact, however, 1987 GDP was estimated at a 1.7 percent real growth rate. The petroleum sector would continue to grow, although at a slower rate of about 8 percent per year, and it would account for more than half of GDP. The nonpetroleum sector was expected to resume modest growth in 1987. Construction would be the fastest growing sector, at about 7 percent per year. Agriculture would grow only marginally, and therefore its share of overall GDP would decline from 1986 levels. Other non-petroleum sectors would grow at a rate of between 3 and 4 percent per year and, because these projected growth rates were smaller

than the overall GDP growth rate, would likewise decline as a percentage of total GDP.

In early 1988, Iraq's total external liabilities were difficult to determine accurately because the Iraqi government did not publish official information on its debt. Moreover, Iraqi debt was divided into a number of overlapping categories according to the type of lender, the terms of disbursement or servicing, and the disposition of the funds. For example, some loans were combined with aid grants in mixed credits, and some loans were authorized but never disbursed. And, in a process of constant negotiation with its creditors, Iraq had deferred payment by rescheduling loans. Finally, some loans were partially repaid with oil in counter-trade and barter agreements. Nevertheless, experts estimated that Iraqi debt in 1986 totaled between US\$50 billion and US\$80 billion. Of this total, Iraq owed about US\$30 billion to Saudi Arabia, Kuwait, and the other Gulf states. Most of this amount was derived from crude oil sales on Iraq's behalf. Iraq promised to provide reimbursement in oil after the war, but the Gulf states were expected to waive repayment.

A second important category of debt was that owed to official export credit agencies. The authoritative Wharton Econometric Forecasting Associates estimated in 1986 that Iraqi debt guaranteed by export credit agencies totalled US\$9.3 billion, of which US\$1.6 billion was short-term debt and US\$7.7 billion was medium-term debt.

In the category of private sector debts, Iraq owed up to US\$7 billion to private companies that had not secured the trade credit they extended to Iraq with their government export credit agencies. The firms that were owed the most were based in Turkey, in the Republic of Korea (South Korea), and in India, which lacked access to official export credit guarantees. European companies were also owed large amounts. By the late 1980s, Iraq had placed a priority on settling these private sector debts. In addition, Iraq owed an estimated US\$6.8 billion to commercial banks as of mid-1986, although much of this sum was guaranteed by government export credit agencies.

In the realm of government debts, Iraq had accrued considerable debts to Western governments for its purchases of military matériel. Iraq owed France more than US\$1.35 billion for weapons, which it was repaying by permitting Elf-Aquitaine and Compagnie Française des Pétroles-Total (CFP)—two oil companies affiliated with the French government—to lift 80,000 barrels of oil per day from the Dortyol terminal near Iskenderun, Turkey. Finally, Iraq owed money to the Soviet Union and to East European nations.

Iraq's debt to the Soviet Union was estimated at US\$5 billion in 1987.

The Role of Government

Following the Baath Party's accession to power in 1968, the government began using central planning to manage the national economy. The government separated its expenditures into three categories: an annual expenditure budget for government operations, an annual investment budget to achieve the goals of the five-year plans, and an annual import budget. Economic planning was regarded as a state prerogative, and thus economic plans were considered state secrets. The government rarely published budget or planning information, although information on specific projects, on total investment goals, and on productivity was occasionally released.

Extremely high revenues from oil exports in the 1970s made budgeting and development planning almost irrelevant in Iraq. The responsibility of the state was not so much to allocate scarce resources as to distribute the wealth, and economic planning was concerned more with social welfare and subsidization than with economic efficiency. One consistent and very costly development goal was to reduce the economy's dependence on a single extractive commodity—oil—and, in particular, to foster heavy industry. Despite this objective, in 1978 the government began an attempt to rationalize the non-oil sector. The process of cost-cutting and streamlining entailed putting a ceiling on subsidization by making state-run industries and commercial operations semiautonomous. The expenditures of such public entities were not aggregated into the governmental expenditure budget. Instead, state-run companies were given their own budgets in an attempt to make them more efficient.

Because Iraqi economic development planning was predicated on massive expenditure, the onset of the Iran-Iraq War in 1980 brought central planning to an impasse. Despite an effort to maintain the momentum of its earlier development spending, the government was forced to revert to ad hoc planning as it adjusted to limited resources and to deficit spending. Economic planning became not just a perceived national security issue, but a real one, as the government devoted its attention and managerial resources to obtaining credits. The Fourth Five-Year Plan (1981–85) was suspended, and as of early 1988, the Fifth Five-Year Plan (1986–90) had not been formulated.

In early 1987, President Saddam Husayn abruptly reversed the course of Iraq's economic policy, deviating sharply from the

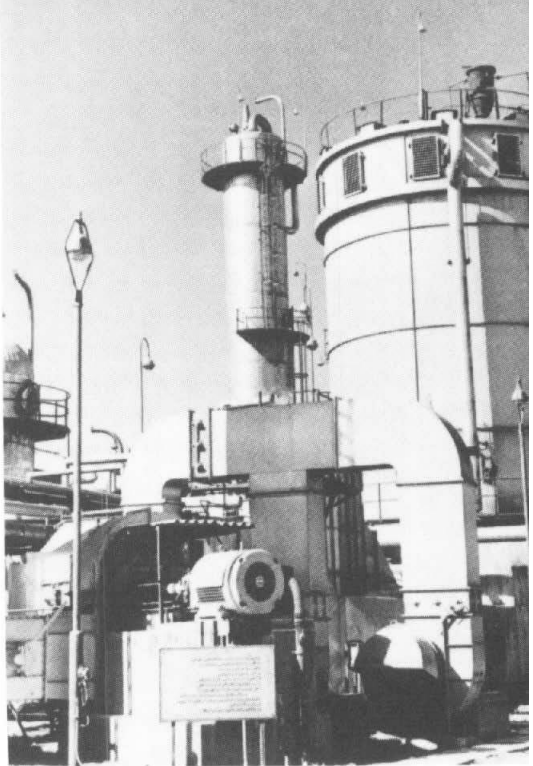
socialist economic ideology that the government had propounded since the 1968 Baath revolution. Saddam Hussayn advocated a more open, if not free, market, and he launched a program of extensive reform. Because the liberalization was aimed primarily at dealing with the nation's mounting and increasingly unmanageable war debt, Saddam Husayn's motivation was more strategic than economic. He had four related goals—to conserve money by cutting the costs of direct and of indirect government subsidies, to tap private sector savings and to stem capital outflow by offering credible investment opportunities to Iraqi citizens, to reduce the balance of payments deficit by fostering import substitution and by promoting exports, and to use the reforms to convince Western commercial creditors to continue making loans to Iraq.

The reform process began with Revolutionary Command Council (RCC) Decree Number 652, which in May 1987 abolished Iraq's labor law. This law had institutionalized the differences among white-collar, blue-collar, and peasant workers. Under the law, every adult had been guaranteed lifetime employment, but workers had almost no freedom to choose or to change their jobs or places of employment, and they had little upward mobility. One result was that labor costs in Iraq accounted for 20 percent to 40 percent of output, compared to about 10 percent in similar industries in non-socialist economies. Nonproductive administrative staff accounted for up to half the personnel in state-run enterprises, a much higher proportion than in private sector companies in other countries. The government immediately laid off thousands of white-collar workers, most of whom were foreign nationals. Thousands of other white-collar civil servants were given factory jobs. Previously, all state blue-collar workers had belonged to government-sponsored trade unions, while unions for private sector employees were prohibited. After the labor law was abolished, the situation was reversed. Government workers could no longer be union members, whereas private sector employees were authorized to establish and to join their own unions. To compensate state blue-collar workers for their lost job security, Saddam Husayn established an incentive plan that permitted state-enterprise managers to award up to 30 percent of the value of any increase in productivity to workers.

Decree Number 652 aroused resentment and controversy among government bureaucrats, many of whom were stalwart Baath Party members, not only because it contradicted party ideology, but also because it imperiled their jobs. Feeling compelled to justify his new economic thinking and to reconcile it to Baathist ideology, Saddam Husayn wrote a long article in *Ath Thawrah*, the major government-run newspaper, criticizing the labor law for perpetuating a caste



*Fertilizer plant in Basra
Courtesy Embassy of Iraq,
Washington*



*Cement factory in Basra
Courtesy Embassy of Iraq,
Washington*

and class system that prevented people from being rewarded according to merit and from using their capacities fully. Perhaps writing with intentional irony, Saddam Husayn stated that unless people were rewarded for producing more, some might start to regard the capitalist system as superior because it permitted the growth of wealth and the improvement of workers' lives.

In June 1987, Saddam Husayn went further in attacking the bureaucratic red tape that entangled the nation's economy. In a speech to provincial governors, he said, "From now on the state should not embark on uneconomic activity. Any activity, in any field, which is supposed to have an economic return and does not make such a return, must be ignored. All officials must pay as much attention to economic affairs as political ideology."

To implement this policy, Saddam Husayn announced a move toward privatization of government-owned enterprises. Several mechanisms were devised to turn state enterprises over to the private sector. Some state companies were leased on long terms, others were sold outright to investors, and others went public with stock offerings. Among the state enterprises sold to the public were bus

companies serving the provinces, about 95 percent of the nation's network of gas stations, thousands of agricultural and animal husbandry enterprises, state department stores, and factories. In many instances, to improve productivity the government turned stock over to company employees.

The most significant instance of privatization occurred in August 1987, when Saddam Husayn announced a decree to abolish the State Enterprise for Iraqi Airways by early 1988. Two new ventures were to be established instead: the Iraqi Aviation Company, to operate commercially as the national airline, and the National Company for Aviation Services, to provide aircraft and airport services. Stock was to be sold to the public, and the government was to retain a minority share of the new companies through the General Federation of Iraqi Chambers of Commerce and Industry.

In a further move consistent with the trend toward privatization, the RCC announced in November 1987 that the government would offer new inducements for foreign companies to operate in Iraq by loosening direct investment restrictions. Details of the new proposal were not specified, but it was expected to entail modification of Resolution Number 1646 of the RCC, enacted in November 1980, which forbade foreign capital participation in private sector companies. Changes in the long-standing government policy of preventing foreign ownership of state institutions might also occur. According to the new regulations, all foreign firms engaged in development projects would also be exempt from paying taxes and duties, and foreign nationals who were employees of these companies would pay no income tax. At the same time, Saddam Husayn announced that development projects would no longer be paid for on credit. The new legislation indicated that Iraq was encountering difficulty paying for or obtaining credits for turnkey projects and was therefore willing to permit foreign companies to retain partial ownership of the installations that they built. Previously, Iraq had rejected exchanging debt for equity in this manner as an infringement on its sovereignty.

Banking and Finance

When Iraq was part of the Ottoman Empire, a number of European currencies circulated alongside the Turkish pound. With the establishment of the British mandate after World War I, Iraq was incorporated into the Indian monetary system, which was operated by the British, and the rupee became the principal currency in circulation. In 1931, the Iraq Currency Board was established in London for note issue and maintenance of reserves for the new Iraqi dinar (ID—for value of the dinar—see Glossary).

The currency board pursued a conservative monetary policy, maintaining very high reserves behind the dinar. The dinar was further strengthened by its link to the British pound. In 1947 the government-owned National Bank of Iraq was founded, and in 1949 the London-based currency board was abolished as the new bank assumed responsibility for the issuing of notes and the maintenance of reserves. The National Bank of Iraq continued the currency board's conservative monetary policy, maintaining 100 percent reserves behind outstanding domestic currency.

Initiated during the last years of Ottoman rule, commercial banking became a significant factor in foreign trade during the British mandate. British banks predominated, but traditional money dealers continued to extend some domestic credit and to offer limited banking services. The expansion of banking services was hampered by the limited use of money, the small size of the economy, and the small amount of savings; banks provided services for foreign trade almost exclusively. In the mid-1930s, the Iraqi government decided to establish banks in order to make credit available to other sectors of the economy. In 1936, the government formed the Agricultural and Industrial Bank. In 1940, this bank was divided into the Agricultural Bank and the Industrial Bank, each with substantially increased capital provided by the government. The government established the Rafidayn Bank in 1941 as both the primary commercial bank and the central bank, but the National Bank of Iraq became the government's banker in 1947. The Real Estate Bank was established in 1948, primarily to finance the purchase of houses by individuals. The Mortgage Bank was established in 1951, and the Cooperative Bank in 1956. In addition to these government-owned institutions, branches of foreign banks and private Iraqi banks were opened as the economy expanded.

In 1956 the National Bank of Iraq became the Central Bank of Iraq. Its responsibilities included the issuing and the management of currency, control over foreign exchange transactions, and the regulation and supervision of the banking system. It kept accounts for the government, and it handled government loans. Over the years, legislation has considerably enlarged the Central Bank's authority.

On July 14, 1964, all banks and insurance companies were nationalized, and, during the next decade, banking was consolidated. By 1987 the banking system consisted of the Central Bank, the Rafidayn Bank, and the Agricultural, Industrial, and Real Estate banks.

In the 1980s, the Rafidayn Bank was in the contradictory position of trying to maintain its reputation as a viable commercial bank

while acting on behalf of the government as an intermediary in securing loans from private foreign banks. With deposits of more than US\$17 billion in 1983, the Rafidayn was reportedly the largest commercial bank in the Arab world. It managed to maintain a relatively sound commercial reputation for the five years of the war, and in 1985 its total assets stood at about ID10.4 billion and its total deposits, at more than ID9.5 billion—both figures having tripled since the Iran-Iraq War began in 1980. This huge increase in deposits was attributed to increased saving by the public because of the scarcity of consumer products. Profits of ID290 million in 1985 represented an increase of nearly 50 percent over 1980 levels. By 1985 the Rafidayn had established 215 branches in Iraq, 104 of which were in Baghdad; according to the Iraqi government, it also had seven branches abroad. In 1986, however, the bank started to delay payment of letters of credit owed to foreign exporters, and its failure to make installment payments on a syndicated loan of 500 million Eurodollars forced rescheduling of the debt payments. In 1987, with the exception of the Baghdad office of a Yugoslav bank, the Rafidayn was Iraq's only commercial bank. In this same year, the government ordered the Rafidayn Bank to double its capital to ID100 million. This increase was to enable the bank to improve and to extend its commercial services, so that it could tap the public for the increased deposits that would enable the bank to offer more loans. To the extent that new loans could bolster the emerging private sector, the move appeared consistent with other government efforts to make state-run operations more fiscally efficient.

The other three banks in Iraq were so-called special banks that provided short- to long-term credit in their respective markets. Since its establishment in 1936, the Agricultural Bank had grown to forty-five branches, of which four were in Baghdad. In 1981, its capital stood at ID150 million and its loans totaled ID175 million. The Agricultural Bank had also started a project whose objective was to encourage rural citizens to establish savings accounts. Meanwhile, the Industrial Bank had grown to nine branches and offered loans both to private and to public sector industrial and manufacturing companies. The Real Estate Bank was composed of twenty-five branches and provided loans for construction of housing and tourist facilities. The Iraq Life Insurance Company, the Iraq Reinsurance Company, and the National Life Insurance Company conducted the nation's insurance business. Post offices maintained savings accounts for small depositors.

The Oil Sector

Developments Through World War II

Natural seepage aroused an early interest in Iraq's oil potential. After the discovery of oil at Baku (in what is now the Soviet Union, on the west side of the Caspian Sea) in the 1870s, foreign groups began seeking concessions for exploration in Iran and in the area of the Ottoman Empire that became Iraq after World War I. The Anglo-Persian Oil Company (later renamed the Anglo-Iranian Oil Company and still later British Petroleum) was granted a concession in Iran and discovered oil in 1908. Shortly before World War I, the British government purchased majority ownership of the Anglo-Persian Oil Company.

The discovery of oil in Iran stimulated greater interest in potential Iraqi oil resources, and financial groups from several major nations engaged in protracted negotiations and in considerable intrigue with the Ottoman Empire in order to obtain concessions to explore for oil in Mosul and in Kirkuk, two locations in what later was north-central Iraq. Although a few concessions were granted prior to World War I, little surveying or exploration was done.

The Turkish Petroleum Company

In 1912, several rival groups banded together to establish the Turkish Petroleum Company (TPC), which would seek a concession to explore for Iraqi oil. The original purpose of the TPC was to eliminate rivalry among the partners and to outflank American concession seekers. The TPC's guiding hand was Calouste Gulbenkian, who had been hired by British banking interests because of his knowledge and his ability to influence the decisions of the Turkish government. His 5 percent holdings in TPC reputedly made him the richest individual in the world for many years, and were the source of his nickname, "Mr. Five Percent."

Establishment of the TPC did not eliminate the rivalry among the shareholders representing various national interests. Britain had a long-standing strategic interest in Mesopotamia because of its location in relation to Britain's military and commercial routes to India. The British government's decision before World War I to convert its naval fleet from coal to oil increased the importance of the area. By 1914, the British-government-controlled Anglo-Persian Oil Company had bought 50 percent of the shares of TPC and was exerting pressure on the Turkish government to grant the Anglo-Persian Oil Company a concession, but World War I delayed negotiations.

World War I demonstrated to the major powers the importance of securing their own sources of oil. The British-French San Remo

Conference of 1920 provided for permanent British control of any company established to develop Mesopotamian oil, but allocated Iraqi interests 20 percent if they chose to invest. France claimed the German shares of TPC that had been seized as enemy property and formed the CFP to hold the French shares in TPC. The Italian and United States governments protested their exclusion. After prolonged and sharp diplomatic exchanges, American oil companies were permitted to buy into TPC, although negotiations were not completed until 1928.

Although Iraq became a British mandate in 1920, that did not guarantee TPC an exclusive concession. Using the promise of a concession from the prewar Turkish government, TPC began negotiating for one in 1921. A major point of contention was Iraq's 20 percent share of any oil development company, a condition stipulated at the San Remo Conference. By the early 1920s, TPC consisted almost entirely of oil companies that did not want Iraq's representation or its interference in the management of TPC. They successfully resisted Iraqi efforts to participate despite pressure by the British government to accept Iraqi shareholders.

A concession was granted to TPC in March 1925. Many Iraqis felt cheated from the beginning of the concession. Its term was for seventy-five years, and it covered twenty-four plots selected by TPC. The Iraqi government was to receive royalties at a flat fee per ton to be paid in English pounds sterling, but with a gold clause to guard against devaluation of the pound. Royalty payments were linked to oil company profits, but this clause became effective only after twenty years. The Iraqi government had the right to tax TPC at the same rate levied on other industrial concerns. TPC was to build a refinery to meet Iraq's domestic needs and a pipeline for the export of crude oil. The Iraqi government had the right to lease other plots for oil exploration and development, and TPC was not excluded from bidding on these additional plots.

TPC began exploratory drilling after the concession was ratified by the Iraqi government. Oil was discovered just north of Kirkuk on October 15, 1927. Many tons of oil were spilled before the gushing well was brought under control. This indication of a large, valuable field soon proved well-founded.

The discovery of oil hastened negotiations over the composition and the functions of TPC. The shareholders signed a formal agreement in July 1928. The Anglo-Persian Oil Company, the Dutch Shell Group, the CFP, and the Near East Development Corporation (which represented the interests of five large American oil companies) each held 23.7 percent of the shares, and Gulbenkian the remaining, but nonvoting, 5 percent. TPC was organized as a

nonprofit company registered in Britain that produced crude oil for a fee for its parent companies, based on their shares. TPC was limited to refining and marketing for Iraq's internal needs to prevent any competition with the parent companies. The Anglo-Persian Oil Company was awarded a 10 percent royalty on the oil produced, as compensation for its reduced share in TPC.

A major obstacle facing United States firms had been a clause in the 1914 reorganization of the TPC that stipulated that any oil activity in the Ottoman Empire by any shareholder would be shared by all partners. Gulbenkian had insisted on the clause so that the oil companies could not circumvent his interests by establishing other companies without him. This arrangement, continued in the 1928 reorganization, came to be known as the Red Line Agreement because the TPC partners were forbidden to act independently within the boundaries of the now-defunct Ottoman Empire. This "red line" effectively precluded the United States and other TPC partners from concession hunting and from oil development in much of the Persian Gulf region until after World War II.

In 1929 the TPC was renamed the Iraq Petroleum Company (IPC). IPC represented oil companies that had diverse and sometimes conflicting interests. The Anglo-Persian Oil Company and Standard Oil of New Jersey (also known as Esso and subsequently known as Exxon), for example, had access to major sources of crude oil outside Iraq, and they therefore wished to hold the Iraqi concessions in reserve. CFP and other companies, in contrast, pushed for rapid development of Iraqi oil to augment their short crude oil supplies.

IPC's parent companies delayed development of the Iraqi fields, and IPC's concession expired because the companies failed to meet certain performance requirements, such as the construction of pipelines and of shipping terminals. IPC's concession was renegotiated in 1931. The new contract gave IPC a seventy-year concession on an enlarged 83,200-square-kilometer area, all east of the Tigris River. In return, however, the Iraqi government demanded and received additional payments and loans as well as the promise that IPC would complete two oil pipelines to the Mediterranean by 1935.

Iraqi politicians remained suspicious of IPC's motives. Many Iraqis believed that IPC was deliberately withholding Iraqi crude from the market to boost the price of the parent companies' oil produced elsewhere. In 1932 Iraq granted a seventy-five-year concession to the British Oil Development Company (BODC), created by a group of Italian and British interests, to 120,000 square kilometers west of the Tigris River. The terms were more favorable to the Iraqi government than those of earlier agreements. BODC

financing was insufficient, however, and the company was bought out by IPC in 1941 and was renamed the Mosul Petroleum Company (MPC). IPC shareholders asserted their monopoly position again when they won the concession rights to southern Iraq and in 1938 founded the Basrah Petroleum Company (BPC) as their wholly owned subsidiary to develop the region.

Transport remained the main obstacle to the efficient export of Iraqi oil. When France joined IPC after World War I, it wanted the Iraqi pipeline to transit its mandate in Syria to a coastal terminal at Tripoli, Lebanon. The Iraqis and the British preferred a terminal at Haifa, in Palestine. In 1934, a pipeline was completed from the Kirkuk fields to Al Hadithah, where it divided, one branch going to Tripoli (the Tripoli branch was closed by Syria—which supported Iran—in 1982 after the outbreak of the Iran-Iraq War in 1980) and the other to Haifa (the Haifa line was closed in 1948). In 1938, nine years after the discovery of oil, Iraq began to export oil in significant quantities. Iraqi production averaged 4 million tons per year until World War II, when restricted shipping in the Mediterranean forced production down sharply (see fig. 8).

Post-World War II Through the 1970s

With the end of World War II, IPC and its affiliates undertook repair and development of facilities in Iraq as rapidly as financing and materials became available. Exploration and drilling were pressed, particularly in the Basra and the Mosul areas, to meet concession terms. Although considered a priority, the elimination of transport constraints was set back when a larger second, nearly completed pipeline to Haifa was abandoned in 1948 as a result of the first Arab-Israeli war. Use of the existing Haifa line was also discontinued. In 1951, however, commercial exports by the BPC of good quality crude began via a new pipeline to Al Faw, on the Persian Gulf. Exports were boosted further with the completion in 1952 of a thirty-inch pipeline linking the Kirkuk fields to the Syrian port of Baniyas, which had a throughput capacity of 13 million tons per year. In that year, production from Basra and Mosul approached 2.5 million tons while the Kirkuk fields increased production to more than 15 million tons. In the space of a year (1951–52), total Iraqi oil production had doubled to almost 20 million tons.

Iraqi officials still harbored ambitions, dating back to the 1920 San Remo Conference, to take control of their nation's oil resources. The elimination of transportation bottlenecks and the subsequent rapid growth of exports encouraged Iraqi assertiveness. IPC's costly, irretrievable investments in Iraq's oil infrastructure gave the government even greater leverage.

One particularly sore point among the Iraqis concerned IPC's contractual obligation to meet Iraq's domestic requirements for gasoline and other petroleum products. An IPC subsidiary operated a small refinery and distribution company based near Kirkuk that supplied two-thirds of Iraq's needs. But IPC imported the remaining third from a large refinery in Abadan, Iran. Iraq considered this arrangement politically imprudent, a judgment that was vindicated when, in the early 1950s, Iranian production was cut during that country's oil industry nationalization crisis. In 1951 the Iraqi government took over, with compensation, the small Kirkuk refinery and hired a United States contractor to build a refinery near Baghdad. This represented Iraq's first concrete step toward taking control of the oil industry.

In 1952 Iraq followed the examples of Venezuela and of Saudi Arabia by demanding and receiving a 50 percent tax on all oil company profits made in the country. The tax more than doubled Iraqi profits per ton on exported oil.

The 1958 Iraqi revolution had little effect at first on the government's attitude toward IPC. The government needed the oil revenues generated by IPC; moreover, Iran's experience when it nationalized its oil industry was a vivid reminder to the Iraqis of the power the oil companies still wielded. In 1959 and in 1960, surpluses led the international oil companies to reduce the posted price for Middle Eastern oil unilaterally, which reduced government revenues significantly. IPC's policy of exploiting and developing only .5 percent of the total concessions it held in Iraq and of holding the remainder in reserve also reduced Iraqi revenues. Perhaps in response to the general situation, Iraq convened a meeting in Baghdad of the major oil-producing nations, which resulted in the September 1960 formation of the Organization of Petroleum Exporting Countries (OPEC). In December 1961, the Iraqi government enacted Law No. 80, which resulted in the expropriation of all of the IPC group's concession area that was not in production. The expropriation locked the government and the oil companies in a controversy that was not resolved for more than a decade. The companies had two paramount objectives in seeking to mitigate the law's effect. One was to regain control of the concession to the North Rumaylah field in southern Iraq, which was expected to be a major source of oil. In particular, the companies did not want competitors to gain access to it. The companies' second major objective was to limit the impact of Iraq's actions on IPC concession agreements in other oil-exporting nations.

In February 1964, the government established the state-owned Iraq National Oil Company (INOC) to develop the concession areas

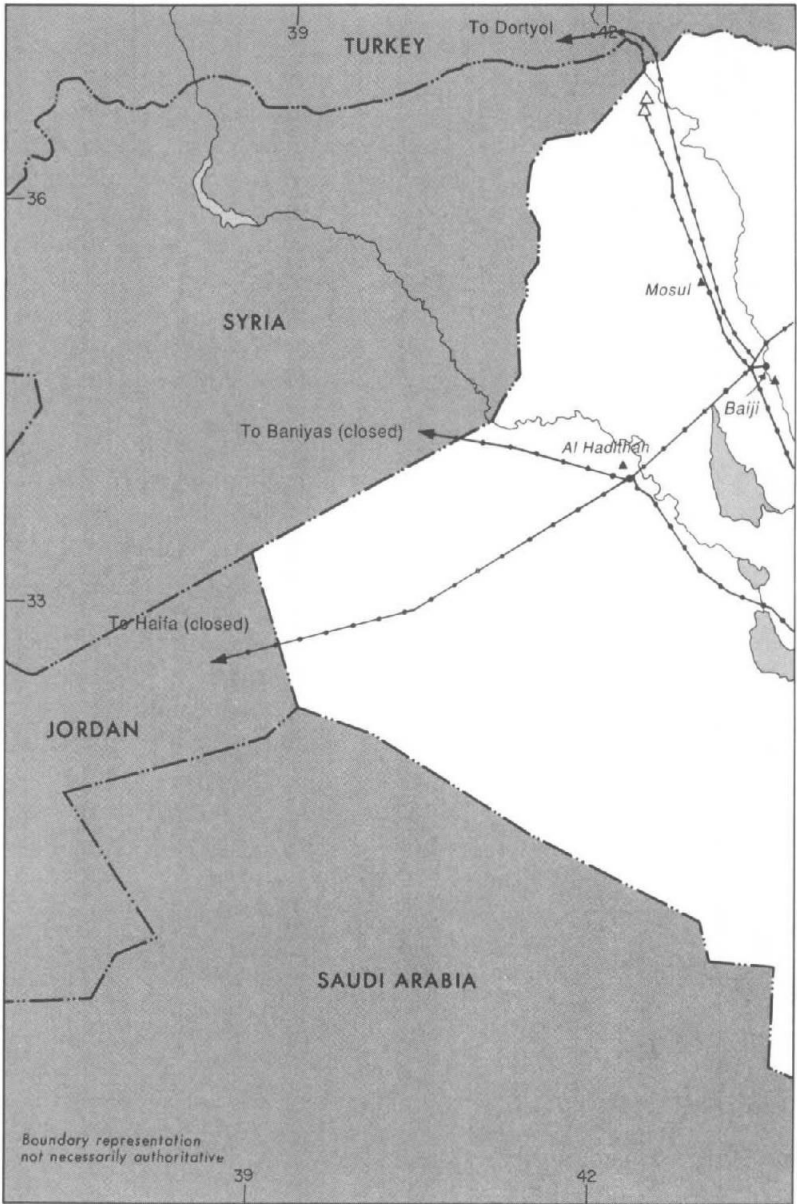
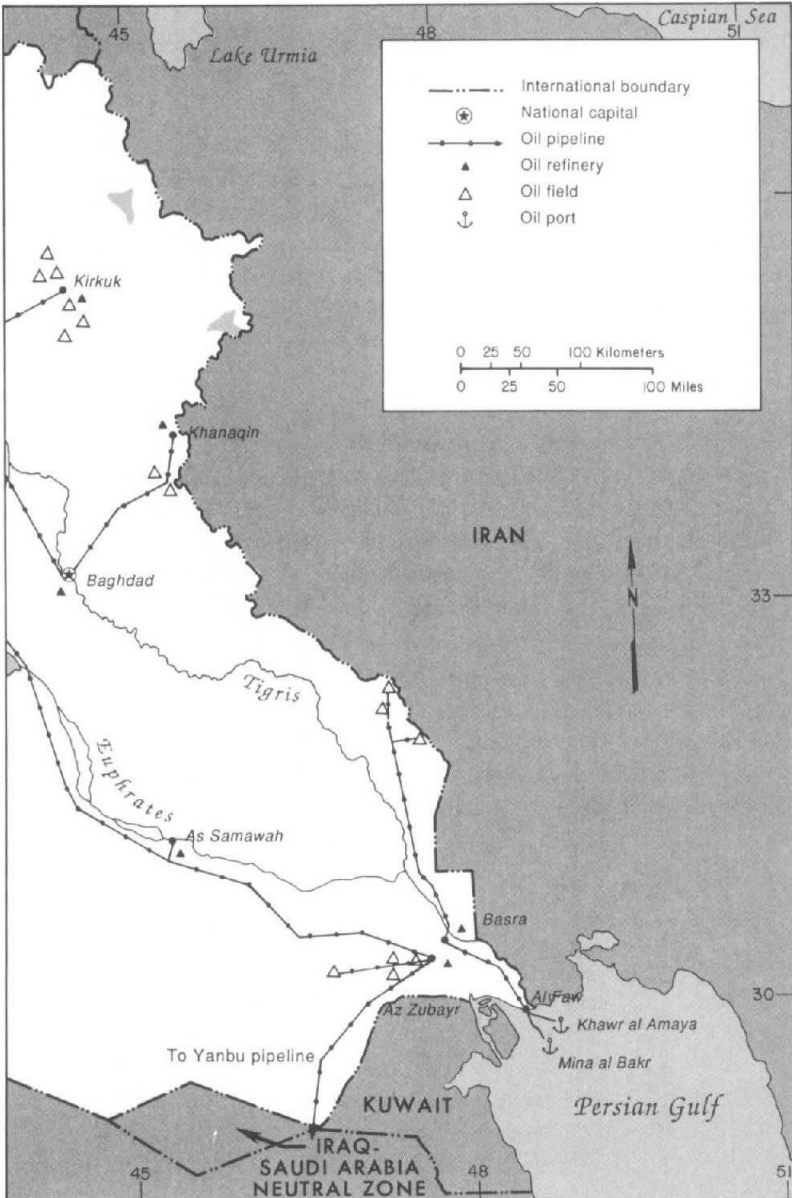


Figure 8. Petroleum Industry, 1988

taken over from IPC. INOC was eventually granted exclusive rights by law to develop Iraq's oil reserves; granting concessions to other oil companies was forbidden, although INOC could permit IPC



and other foreign companies to participate in the further development of existing concessions. Nevertheless, IPC continued to lift the bulk of Iraqi oil from the Kirkuk field that it had retained, and,

more important, to export and to market it. IPC therefore remained the arbiter of existing, if not potential, Iraqi oil production.

Iraq's disillusionment with newly formed OPEC began just after the enactment of Law 80. Iraq applied pressure on OPEC to adopt a unified negotiating stance vis-à-vis the oil companies. Instead, OPEC members negotiated separately. This allowed the oil companies to extract concessions that permitted them to switch production away from Iraq and therefore to pressure Iraq with the prospect of lower oil revenues. Iraq's relationship with IPC was further aggravated in 1966 when Syria raised transit fees on the pipeline that carried two-thirds of Iraqi oil to port and demanded retroactive payments from IPC. When IPC refused to pay, Syria closed the pipeline for several months, an action that cost the Iraqi government much revenue.

The eight-year shutdown of the Suez Canal that followed the June 1967 Arab-Israeli War increased the importance of Mediterranean oil producers because of their proximity to European markets. In 1970 Libya took advantage of this situation to win higher prices for its oil. Iraq, which was in the unusual position of exporting oil through both the Gulf and the Mediterranean, demanded that it be paid for its oil at the Libyan price. IPC countered that Iraqi oil, because of its higher sulfur content, was inferior to Libyan oil. Meanwhile, exports of Iraqi oil via the Mediterranean began to decline, which IPC attributed to falling tanker rates that made Gulf oil more competitive. Iraq, however, interpreted the declining exports as pressure from the oil companies. In general, Iraq believed that IPC was intentionally undercharging customers for oil it sold on behalf of Iraq and was cutting back Iraqi production to force Iraq to restore the nationalized concession areas. In response, Iraq attempted to make INOC a viable substitute for IPC. The INOC chairman of the board was given cabinet rank and greater authority, but INOC's activities were hampered by lack of experience and expertise. Iraq, therefore, sought assistance from countries considered immune to potential IPC sanctions and to retaliation. In 1967 INOC concluded a service agreement with *Entreprise des Recherches et des Activités Pétrolières (ERAP)*—a company owned by the French government—covering exploration and development of a large segment of southern Iraq, including offshore areas. Some foreign observers doubted that the terms of the arrangement were more favorable than IPC's terms, but more important from Iraq's point of view, the ERAP agreement left control in Iraqi hands. By 1976 ERAP started pumping the oil it had discovered, at which point INOC took over operation of the fields and began delivering the oil to ERAP.

In 1967 INOC tapped the Soviet Union for assistance in developing the North Rumaylah field. The Soviet Union provided more than US\$500 million worth of tied aid for drilling rigs, pumps, pipelines, a deep-water port on the Persian Gulf, tankers, and a large contingent of technicians. In 1972, the North Rumaylah field started production and produced nearly 4 million tons of crude.

In the same period, Iraq obtained aid from French, Italian, Japanese, Indian, and Brazilian oil companies under service contracts modeled on the 1967 ERAP agreement. The service contracts, which Iraq did not regard as concessions, allowed the foreign oil companies to explore and to develop areas in exchange for bearing the full costs and the risks of development. If oil were discovered, the companies would turn their operations over to INOC, which would sell them the oil at a discounted rate.

Iraq's increasing ability to manage its petroleum resources finally induced IPC to negotiate. In 1972 IPC promised to increase its production in Iraq and to raise the price it paid for Iraqi oil to the Libyan level. In return, IPC sought compensation for its lost concession areas. Iraq rejected this offer and, on June 1, 1972, nationalized IPC's remaining holdings in Iraq, the original Kirkuk fields. A state-owned company, the Iraqi Company for Oil Operations (ICOO), was established to take over IPC facilities. BPC was allowed to continue its operations.

In February 1973, Iraq and IPC settled their claims and counterclaims. IPC acknowledged Iraq's right to nationalize and agreed to pay the equivalent of nearly US\$350 million to Iraq as compensation for revenue lost to Iraq over the years when IPC was selling Iraqi oil. In return, the government agreed to provide to IPC, free of charge, 15 million tons of Kirkuk crude, valued at the time at over US\$300 million, in final settlement of IPC claims. Some observers believed that IPC had received a liberal settlement.

The October 1973 Arab-Israeli War impelled the Iraqis to take complete control of their oil resources, and Iraq became one of the strongest proponents of an Arab oil boycott of Israel's supporters. Although Iraq was subsequently criticized by other Arab countries for not adhering to the agreed-upon production cutbacks, Iraq nationalized United States and Dutch interests in BPC. By 1975 all remaining foreign interests were nationalized. Fifty-three years after the humiliating San Remo agreement, Iraq had finally gained complete sovereignty over its most valuable natural resource.

Throughout the mid- to late-1970s, increases in the price of oil caused Iraqi oil revenues to skyrocket even as production fluctuated. Iraq funneled much of this revenue into expanding the oil industry infrastructure. Refinery capacity was doubled, and in 1977

a key pipeline was completed from the Kirkuk fields across Turkey to a Mediterranean terminal at Dortyol.

In 1976, the structure of the Iraqi oil industry was revamped. A new Ministry of Oil was established to direct planning and construction in the petroleum sector and to be responsible for oil refining, gas processing, and internal marketing of gas products through several subsidiary organizations. INOC would be responsible for the production, transport, and sale of crude oil and gas. Some of its operations were contracted out to foreign service companies. The State Organization for Northern Oil (SONO), subordinate to INOC, replaced ICOO as the operating company in the northern fields. In subsequent reorganizations, SONO was renamed the Northern Petroleum Organization (NPO), and a Central Petroleum Organization (CPO), as well as a Southern Petroleum Organization (SPO) were also established. The State Organization of Oil Projects (SOOP) took over responsibility for infrastructure from INOC, and the State Organization for Marketing Oil (SOMO) assumed responsibility for oil sales, leaving INOC free to oversee oil production.

Oil in the 1980s

In 1987 petroleum continued to dominate the Iraqi economy, accounting for more than one-third of nominal gross national product (GNP—see Glossary) and 99 percent of merchandise exports. Prior to the war, Iraq's oil production had reached 3.5 million bpd (barrels per day—see Glossary), and its exports had stood at 3.2 million bpd. In the opening weeks of the Iran-Iraq War, however, Iraq's two main offshore export terminals in the Persian Gulf, Mina al Bakr and Khawr al Amayah, were severely damaged by Iranian attacks, and in 1988 they remained closed. Oil exports were further restrained in April 1982, when Syria closed the pipeline running from Iraq to the Mediterranean. In response, Iraq launched a major effort to establish alternative channels for its oil exports. As an emergency measure, Iraq started to transport oil by tanker-truck caravans across Jordan and Turkey. In 1988 Iraq continued to export nearly 250,000 bpd by this method. In mid-1984, the expansion of the existing pipeline through Turkey was accomplished by looping the line and by adding pumping stations. The expansion raised the line's throughput capacity to about 1 million bpd. In November 1985, Iraq started work on an additional expansion of this outlet by building a parallel pipeline between Kirkuk and Dortyol that used the existing line's pumping stations. Work was completed in July 1987. The result was an increase in exports through Turkey of 500,000 bpd.

In September 1985, construction of a spur line from Az Zubayr in southern Iraq to Saudi Arabia was completed; the spur linked up with an existing pipeline running across Saudi Arabia to the Red Sea port of Yanbu. The spur line had a carrying capacity of 500,000 bpd. Phase two of this project was begun in late 1987 by a Japanese-South Korean-Italian-French consortium. Phase two was to be an independent pipeline, parallel to the existing pipeline, which would run 1,000 kilometers from Az Zubayr to Yanbu and its own loading terminal. The parallel pipeline was expected to add 1.15 million bpd to Iraq's export capacity when completed in late 1989. Iraq negotiated with the contractors to pay its bill entirely in oil at the rate of 110,000 bpd. According to Minister of Petroleum Isam Abd ar Rahim al Jalabi, Iraq negotiated special legal arrangements with Saudi Arabia guaranteeing Iraqi ownership of the pipeline. Iraq also considered construction of a 1-million bpd pipeline through Jordan to the Gulf of Aqaba, but in 1988 this project was shelved.

The expansion of export capacity induced Iraq to try to boost its oil production, which in 1987 averaged 2.8 million bpd of which 1.8 million bpd were exported. The remainder was retained for domestic use. In addition, Iraq continued to receive oil donations of between 200,000 and 300,000 bpd from Kuwait and Saudi Arabia pumped out of the Neutral Zone on the east end of Iraq's southern border with Saudi Arabia. By the end of 1989, Iraq's goal was to have the capacity to produce oil for export at the prewar level of 3.5 million bpd without having to depend on any exports by ship through the Persian Gulf; however, at a posted price of approximately US\$18 per barrel, and with spot prices at less than US\$13 per barrel, oil was worth less than half as much in 1988 as it was when the Iran-Iraq War started. Iraq's oil revenue in 1987 was estimated at US\$11.3 billion, up about 60 percent from the 1986 level of US\$6.8 billion (see table 6, Appendix).

The expanded export capacity theoretically gave Iraq greater leverage in negotiating an increase in its OPEC quota. For the first several years of the Iran-Iraq War, Iraq attempted to stay within its OPEC quota in order to bring OPEC pressure to bear on Iran to curtail its production. In early 1988, this issue was moot, however, because Iraq had announced in 1986 that it would not recognize its 1.54 million bpd quota and would produce whatever amount best served Iraqi national interests. In 1987, however, Iraqi oil minister Jalabi reasserted Iraq's willingness to hold its oil production to the 1.54 million bpd OPEC quota if Iran adhered to an identical quota level. This would represent a decrease of about 40 percent from the 2.61 million bpd that Iran was authorized by OPEC to produce.

When Jalabi was appointed Iraq's oil minister in March 1987, he instituted a new round of reorganizations in the petroleum sector. The Ministry of Oil assimilated INOC, thus consolidating management of Iraq's oil production and distribution. The NPO absorbed the CPO. This organization, along with SOOP, was to be granted corporate status in an effort to make it more efficient. Jalabi was also concerned about the proper handling of Iraq's large hydrocarbon reserves. Although estimates of Iraqi hydrocarbon reserves in the late 1980s varied considerably, by all accounts they were immense. In 1984, Iraq claimed proven reserves of 65 billion barrels plus 49 billion barrels of "semi-proven" reserves. In November 1987, Iraq's state-owned Oil Exploration Company calculated official reserves at 72 billion barrels, but the company's director, Hashim al Kharasan, stated that this figure would be revised upward to 100 billion barrels in the near future. In late 1987, oil minister Jalabi said that Iraqi reserves were "100 billion barrels definite, and 40 billion barrels probable," which would constitute 140 years of production at the 1987 rate. Western petroleum geologists, although somewhat more conservative in their estimates, generally concurred with Iraq's assessment; some said that Iraq had the greatest potential for new discoveries of all Middle Eastern Countries.

Besides petroleum, Iraq had estimated natural gas reserves of nearly 850 billion cubic meters, almost all of which was associated with oil. For this reason, most natural gas was flared off at oil wells. Of the estimated 7 million cubic meters of natural gas produced in 1987, an estimated 5 million cubic meters were flared. Iraq's Fifth Five-Year Plan of 1986-90 included projects to exploit this heretofore wasted asset.

The war did not impede Iraqi investment in the oil sector. On the contrary, it spurred rapid development. The government announced in 1987 that, during the previous 10 years, 67 oil-related infrastructure projects costing US\$2.85 billion had been completed and that another 19 projects costing US\$2.75 billion were under way. One Iraqi priority was to exploit natural gas reserves. Because natural gas is more difficult to process and to market than petroleum, the Ministry of Oil in late 1987 called for the substitution of natural gas for oil in domestic consumption, a move that could free more oil for export.

Therefore, it became a key goal to convey natural gas from oil fields to industrial areas, where the gas could then be used. In 1987 the Soviet Union's Tsvetmetpromexport (TSMPE) was constructing a main artery for such a system, the strategic trans-Iraq dry gas pipeline running northward from An Nasiriyah. In 1986 work

was started on liquefaction facilities and on a pipeline to transport 11.3 billion cubic meters per day of natural gas from Iraq's North Rumaylah oil field to Kuwait.

Another focus of Iraqi investment was the maintenance and augmentation of the oil industry's refining capacity. Before the war, Iraq had a refining capacity of 320,000 bpd, 140,000 barrels of which were produced by the southern refinery at Basra and 80,000 of which were produced by the Durah refinery, near Baghdad. In the opening days of the Iran-Iraq War, the Basra refinery was damaged severely, and as of early 1988 it remained closed. The Durah refinery, however, remained in operation, and new installations, including the 70,000 bpd Salah ad Din I refinery and the 150,000 bpd northern Baiji refinery, boosted Iraq's capacity past 400,000 bpd. About 300,000 bpd were consumed domestically, much of which was used to sustain the war effort.

A second thrust of Iraqi oil policy in the late 1980s was the development, with Soviet assistance, of a major new oil field. In September 1987, during the eighteenth session of the Iraqi-Soviet Joint Commission on Economic and Technical Cooperation, held in Baghdad, Iraq's SOOP signed an agreement with the Soviet Union's Techno-Export to develop the West Al Qurnah oilfield. This oilfield was regarded as one of Iraq's most promising, with an eventual potential yield of 600,000 bpd. Techno-Export planned to start by constructing the degassing, pumping, storage, and transportation facilities at West Al Qurnah's Mishrif reservoir, expected to produce 200,000 bpd.

Industrialization

The nonpetroleum industrial sector of the Iraqi economy grew tremendously after Iraq gained independence in 1932. Although growth in absolute terms was significant, high annual growth rates can also be attributed to the very low level from which industrialization started. Under Ottoman rule, manufacture consisted almost entirely of handicrafts and the products of artisan shops. The availability of electricity and lines of communication and transportation after World War I led to the establishment of the first large-scale industries, but industrial development remained slow in the first years after independence. The private sector, which controlled most of the nation's capital, hesitated to invest in manufacturing because the domestic market was small, disposable income was low, and infrastructure was primitive; moreover, investment in agricultural land yielded a higher rate of return than did investment in capital stock. World War II fueled demand for manufactured goods, and large public sector investments after 1951, made possible by the

jump in state oil revenues, stimulated industrial growth. Manufacturing output increased 10 percent annually in the 1950s.

Industrial development slowed after the overthrow of the monarchy during the 1958 revolution. The socialist rhetoric and the land reform measures frightened private investors, and capital began leaving the country. Although the regime led by Abd al Karim Qasim excepted industry from the nationalization imposed on the agricultural and the petroleum sectors, in July 1964 a new government decreed nationalization of the twenty-seven largest privately owned industrial firms. The government reorganized other large companies, put a low limit on individual shareholdings, allocated 25 percent of corporate profits to workers, and instituted worker participation in management. A series of decrees relegated the private sector to a minor role and provoked an exodus of managers and administrators, accompanied by capital flight. The government was incapable of filling the vacuum it had created, either in terms of money or of trained manpower, and industrial development slowed to about 6 percent per year in the 1960s.

After the 1968 Baath revolution, the government gave a higher priority to industrial development. By 1978 the government had revamped the public industrial sector by organizing ten semi-independent state organizations for major industry subsectors, such as spinning and weaving, chemicals, and engineering. Factory managers were given some autonomy, and an effort was made to hold them responsible for meeting goals. Despite Iraq's attempt to rationalize and reorganize the public sector, state organizations remained overstaffed because social legislation made it nearly impossible to lay off or to transfer workers and bureaucratization made the organizations top-heavy with unproductive management. The government acknowledged that unused capacity, overstocking of inventories, and lost production time, because of shortages or disruptions of supply, continued to plague the industrial sector.

The government attempted to strengthen public sector industry by pouring money into it. According to official figures, annual investment in the nonpetroleum industrial sector rose from ID39.5 million in 1968 to ID752.5 million in 1985. As a consequence, industrial output rose; the government put the total value of Iraq's industrial output in 1984 at almost ID2 billion, up from about ID300 million in 1968 and up more than 50 percent from the start of the Iran-Iraq War. The total value of industrial input in 1984 was ID981 million, so value added was in excess of 100 percent. Productivity relative to investment, however, remained low.

Because of revenues from oil exports, the government believed it could afford to pursue an ambitious and expensive policy of



*Students learning foundry (tool and dye) skills
at a technical instruction center
Courtesy United Nations*

import substitution industrialization that would move the economy away from dependence on oil exports to obtain foreign exchange. In the early 1970s, Iraq made capital investments in large-scale industrial facilities such as steel plants. Many of the facilities were purchased from foreign contractors and builders on a turnkey basis. But Iraq neglected development of the next stage in the industrial process, the transformation of processed raw materials into intermediate products, such as construction girders, iron pipes, and steel parts. These bottlenecks in turn hampered the development of more sophisticated industries, such as machinery manufacture. Plant construction also outpaced infrastructure development. Many plants, for example, were inadequately linked by road or rail to outlets. Excess capacity remained a problem, as the large industrial plants continued to strain the economy's ability to absorb new goods. In an attempt to overcome these problems, Iraq imported the finished products and materials it required, defeating the purpose of its import substitution industrialization strategy and making the large extractive industries somewhat redundant. Imports of various basic commodities, such as plastics and chemicals, doubled and tripled in the 1970s. Most imports were consumed rather than used as intermediate components in industry; when imports were used as industrial inputs, value added tended to be low. Concurrently,

tariffs and other trade barriers erected to protect domestic infant industry from foreign competition impeded the importation of certain vital materials, particularly spare parts and machinery. The growth of small-scale industries in the private sector and the rise in the standard of living in general were inhibited by such restrictions. Subsidized by oil revenues, the industrialization strategy yielded growth, but only at great cost.

In the late 1980s, the cumulative fiscal effects of the war with Iran forced Iraq to reverse priorities and to focus on the export side of the trade equation. Although the government previously had attempted to diversify the economy in order to minimize dependence on natural resources, it was now forced to concentrate on generating export income from extractive industry, in which it had a comparative advantage, rather than on producing more sophisticated manufactured goods. At the same time, in conjunction with its gradual move toward privatization, the government ceded greater responsibility to the private sector for the manufacture of light consumer items as import substitutes. In 1983 legislation exempted the private sector from customs duties and from excise taxes on imported spare parts and on machinery needed to build factories. The private sector was also given tax exemptions for capital investment and for research and development spending. Finally, the replacement of sole proprietorships by joint stock companies was encouraged as a means of tapping more private investment. In a 1987 reorganization, the Ministry of Light Industries was renamed the Ministry of Industry, and the Ministry of Industry and Minerals was renamed the Ministry of Heavy Industry. New ministers were appointed and were charged with improving both the the quality and quantity of industrial output; large parts of the state bureaucracy that had controlled industry were abolished.

According to official Iraqi figures, the total industrial labor force in 1984 consisted of about 170,000 workers. State-operated factories employed slightly more than 80 percent of these workers, while 13 percent worked in the private sector. The remaining 7 percent worked in the mixed economy, which consisted of factories operated jointly by the state—which held a major share of the common stock—and the private sector. Men constituted 87 percent of the industrial work force. According to the Iraqi government, in 1984 there were 782 industrial establishments, ranging in size from small workshops employing 30 workers to large factories with more than 1,000 employees. Of these, 67 percent were privately owned. The private sector owned two-thirds of the factories, but employed only 13 percent of the industrial labor force. Privately owned

industrial establishments were, therefore, relatively numerous, but they were also relatively small and more capital-intensive. Only three privately owned factories employed more than 250 workers; the great majority employed fewer than 100 people each. Private-sector plant ownership tended to be dispersed throughout industry and was not concentrated in any special trade, with the exception of the production of metal items such as tools and utensils.

Although the private sector accounted for 40 percent of production in this area, the metal items sector itself constituted no more than a cottage industry. Figures published by the Iraqi Federation of Industries claimed that the private sector dominated the construction industry if measurement were based not on the number of employees or on the value of output, but on the amount of capital investment. In 1981, such private-sector capital investment in the construction industry was 57 percent of total investment. By this alternative measurement, private sector involvement in the textile and the food processing industries was above average. In contrast, about forty-six state-owned factories employed more than 1,000 workers apiece, and several industrial sectors, such as mining and steel production, were entirely state dominated.

In 1984 Iraq's top industry, as measured by the number of employees, was the nonmetallic mineral industry, which employed 18 percent of industrial workers and accounted for 14 percent of the value of total industrial output. The nonmetallic mineral industry was based primarily on extracting and processing sulfur and phosphate rock, although manufacturing of construction materials, such as glass and brick, was also included in this category. Production of sulfur and of sulfuric acid was a priority because much of the output was exported; phosphates were likewise important because they were used in fertilizer production. Mining of sulfur began at Mishraq, near Mosul, in 1972; production capacity was 1.25 million tons per year by 1988. With the help of Japan, Iraq in the late 1980s was augmenting the Mishraq sulfur works with the intent of boosting sulfur exports 30 percent from their 1987 level of 500,000 tons per year and of increasing exports of sulfuric acid by 10,000 tons annually. Iraq was also attempting to increase the rate of sulfur recovery from oil from its 1987 level of 90 percent (see fig. 9).

Phosphate rock reserves were located mainly in the Akashat area northwest of Baghdad and were estimated in 1987 at 5.5 billion tons—enough to meet local needs for centuries. A fertilizer plant at Al Qaim, linked by rail to the Akashat mine, started production in 1984; it was soon converting 3.4 million tons of phosphate per year into fertilizer. As the Al Qaim operation came onstream,

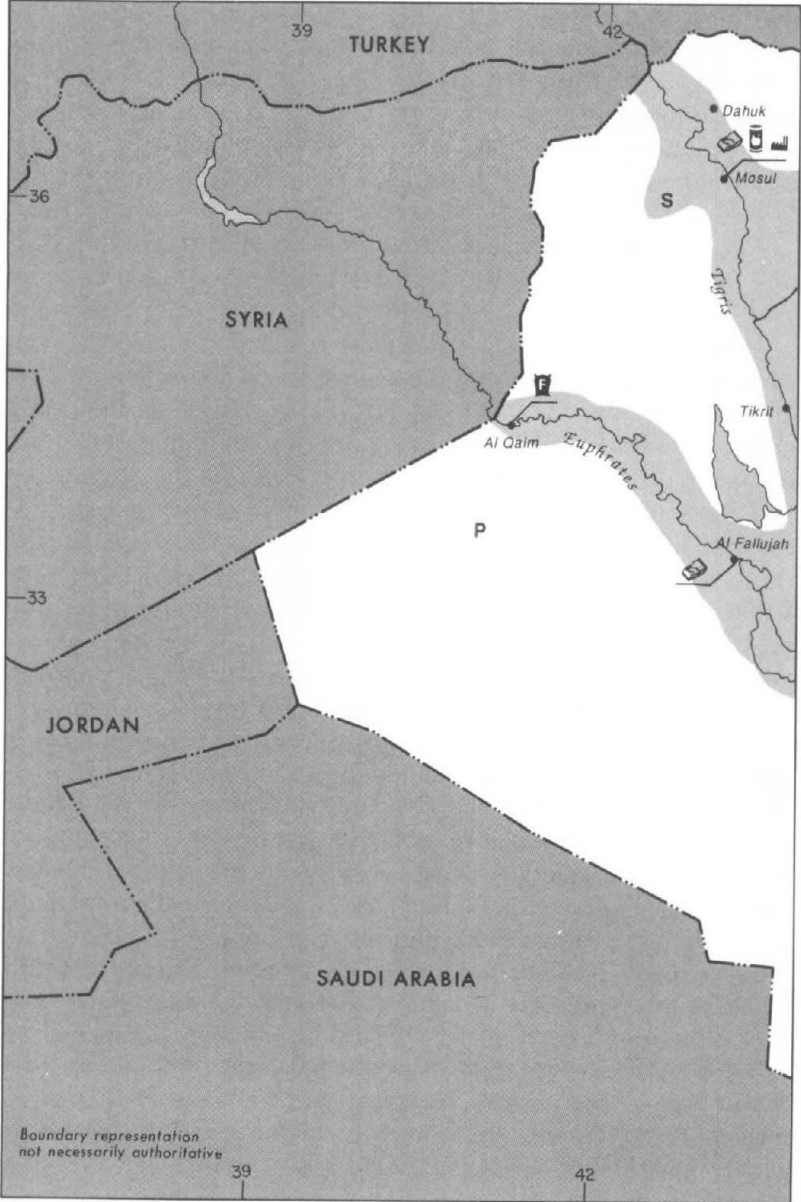
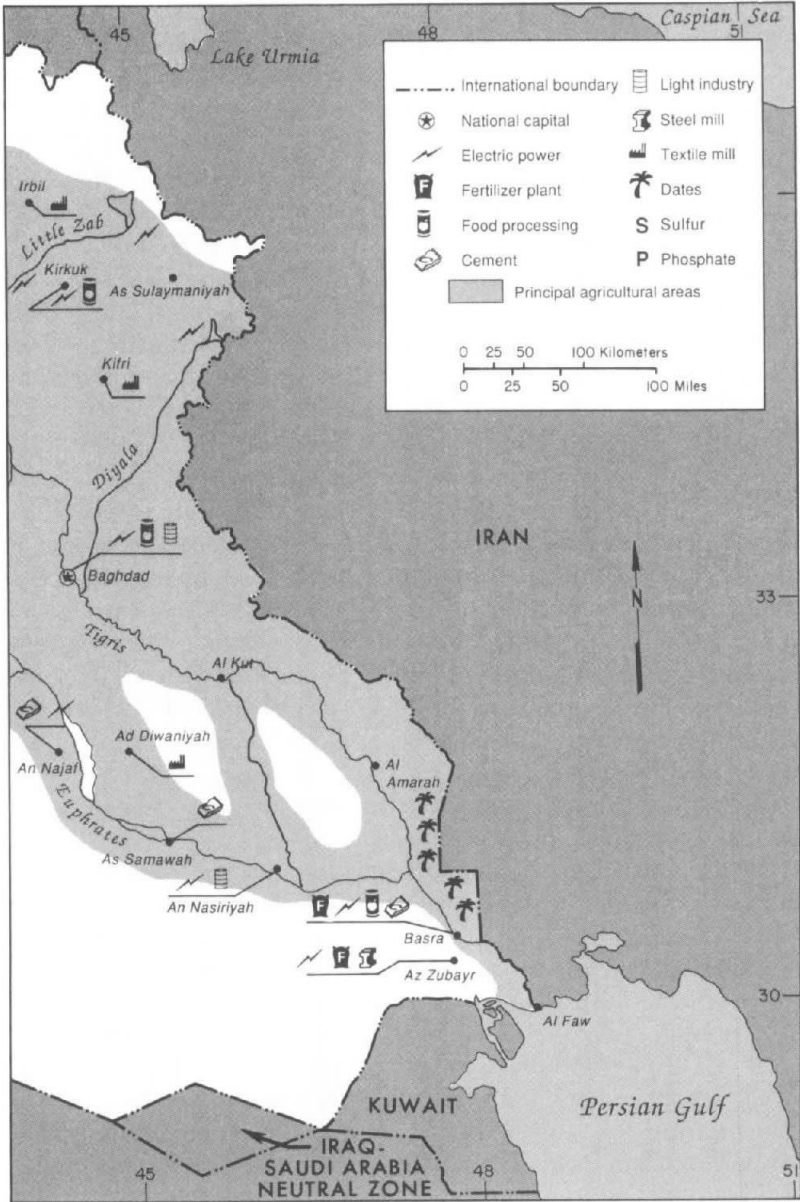


Figure 9. Economic Activity, 1988

Iraq became self-sufficient in fertilizer, and three-quarters of the plant's output was exported. Iranian attacks on Iraqi fertilizer plants in the Basra area, however, cut Iraq's surplus. In 1986 Iraq obtained



a US\$10 million loan from the Islamic Development Bank to import urea fertilizer, and in 1987 Iraq continued to import fertilizer as an emergency measure. Meanwhile, additional fertilizer plants were

under construction in 1987 at Shuwairah, near Mosul, and at Baiji. Their completion would bring to five the number of Iraqi fertilizer plants and would increase exports considerably.

Another important component of the mineral sector was cement production. Iraq's 1987 cement production capacity was 12 million tons, and the government planned a near doubling of production. Domestic consumption in 1986 was 7.5 million tons, and the surplus was exported, 1 million tons to Egypt alone.

In addition to the nonmetallic minerals industry, several other industries employed significant percentages of the work force. The chemical and petrochemical industry, concentrated at Khawr az Zubayr, was the second largest industrial employer, providing work for 17 percent of the industrial work force. Chemicals and petrochemicals accounted for a relatively high 30 percent of the total value of industrial output because of the high value of raw material inputs and the higher value added—more than 150 percent. The labor-intensive textile industry employed 15 percent of industrial workers but accounted for only 7 percent of the value of total industrial output. A major state-owned textile factory in Mosul produced calico from locally grown cotton. The foodstuffs processing and packaging industry, which employed 14 percent of the total industrial labor force, accounted for 20 percent of total output, but the value added was less than 50 percent. Light manufacturing industries based on natural resources, such as paper, cigarettes, and leather and shoe production, together accounted for 10 percent of the value of total industrial output.

By the mid-1980s, efforts to upgrade industrial capacity from the extracting and processing of natural resources to heavy industry, to the manufacturing of higher technology and to the production of consumer items were still not fully successful. An iron and steel works built in 1978 by the French company, Creusot-Loire, at Khawr az Zubayr, was expected to attain an annual production level of 1.2 million tons of smelted iron ore and 400,000 tons of steel. Other smelters, foundries, and form works were under construction in 1988. (In 1984 this sector of the economy accounted for less than 2 percent of total output.) Manufacture of machinery and transport equipment accounted for only 6 percent of output value, and value added was fairly low, suggesting that Iraq was assembling imported intermediate components to make finished products. A single factory established in the 1980s with Soviet assistance and located at Al Musayyib, produced tractors. In 1981, Iraq contracted with a company from the Federal Republic of Germany (West Germany) to develop the domestic capability to produce motor vehicles. Plans called for production of 120,000 passenger

cars and 25,000 trucks per year, but the project's US\$5 billion cost led to indefinite delays.

By the late 1980s, Iraq had had some success in establishing light industries to produce items such as spark plugs, batteries, locks, and household appliances. The electronics industry, concentrated in Baghdad, had grown to account for about 6 percent of output with the help of Thompson-CSF (that is, *Compagnie sans fil*) of France and the Soviet Union. Other more advanced industries just starting to develop in Iraq in the late 1980s were pharmaceuticals and plastics.

Agriculture

Since the beginning of recorded time, agriculture has been the primary economic activity of the people of Iraq. In 1976, agriculture contributed about 8 percent of Iraq's total GDP, and it employed more than half the total labor force. In 1986, despite a ten-year Iraqi investment in agricultural development that totaled more than US\$4 billion, the sector still accounted for only 7.5 percent of total GDP, a figure that was predicted to decline. In 1986 agriculture continued to employ a significant portion—about 30 percent—of Iraq's total labor force. Part of the reason the agricultural share of GDP remained small was that the sector was overwhelmed by expansion of the oil sector, which boosted total GDP.

Large year-to-year fluctuations in Iraqi harvests, caused by variability in the amount of rainfall, made estimates of average production problematic, but statistics indicated that the production levels for key grain crops remained approximately stable from the 1960s through the 1980s, with yield increasing while total cultivated area declined. Increasing Iraqi food imports were indicative of agricultural stagnation. In the late 1950s, Iraq was self-sufficient in agricultural production, but in the 1960s it imported about 15 percent of its food supplies, and by the 1970s it imported about 33 percent of its food. By the early 1980s, food imports accounted for about 15 percent of total imports, and in 1984, according to Iraqi statistics, food imports comprised about 22 percent of total imports. Many experts expressed the opinion that Iraq had the potential for substantial agricultural growth, but restrictions on water supplies, caused by Syrian and Turkish dam building on the Tigris and Euphrates rivers, might limit this expansion.

Water Resources

Iraq has more water than most Middle Eastern nations, which led to the establishment of one of the world's earliest and most advanced civilizations. Strong, centralized governments—a

phenomenon known as “hydraulic despotism”—emerged because of the need for organization and for technology in order to exploit the Tigris and Euphrates rivers. Archaeologists believe that the high point in the development of the irrigation system occurred about 500 A.D., when a network of irrigation canals permitted widespread cultivation that made the river basin into a regional granary (see *Ancient Mesopotamia*, ch. 1). Having been poorly maintained, the irrigation and drainage canals had deteriorated badly by the twelfth and thirteenth centuries, when the Mongols destroyed what remained of the system (see *The Mongol Invasion*, ch. 1).

About one-fifth of Iraq's territory consists of farmland. About half of this total cultivated area is in the northeastern plains and mountain valleys, where sufficient rain falls to sustain agriculture. The remainder of the cultivated land is in the valleys of the Euphrates and Tigris rivers, which receive scant rainfall and rely instead on water from the rivers. Both rivers are fed by snowpack and rainfall in eastern Turkey and in northwest Iran. The rivers' discharge peaks in March and in May, too late for winter crops and too early for summer crops. The flow of the rivers varies considerably every year. Destructive flooding, particularly of the Tigris, is not uncommon, and some scholars have placed numerous great flood legends, including the biblical story of Noah and the ark, in this area. Conversely, years of low flow make irrigation and agriculture difficult.

Not until the twentieth century did Iraq make a concerted effort to restore its irrigation and drainage network and to control seasonal flooding. Various regimes constructed several large dams and river control projects, rehabilitated old canals, and built new irrigation systems. Barrages were constructed on both the Tigris and the Euphrates to channel water into natural depressions so that floods could be controlled. It was also hoped that the water could be used for irrigation after the rivers peaked in the spring, but the combination of high evaporation from the reservoirs and the absorption of salt residues in the depressions made some of the water too brackish for agricultural use. Some dams that created large reservoirs were built in the valleys of tributaries of the Tigris, a measure that diminished spring flooding and evened out the supply of water over the cropping season. When the Euphrates was flowing at an exceptionally low level in 1984, the government was able to release water stored in reservoirs to sustain farmers.

In 1988 barrages or dam reservoirs existed at Samarra, Dukan, Darband, and Khan on the Tigris and Habbaniyah on the Euphrates. Two new dams on the Tigris at Mosul and Al Hadithah, named respectively the Saddam and Al Qadisiyah, were on the



*Irrigation canal south of Baghdad
Courtesy Ronald L. Kuipers*

verge of completion in 1988. Furthermore, a Chinese-Brazilian joint venture was constructing a US\$2 billion dam on the Great Zab River, a Tigris tributary in northeastern Iraq. Additional dams were planned for Badush and Fathah, both on the Tigris. In Hindiyah on the Euphrates and in Ash Shinafiyah on the Euphrates, Chinese contractors were building a series of barrages.

Geographic factors contributed to Iraq's water problems. Like all rivers, the Tigris and the Euphrates carry large amounts of silt downstream. This silt is deposited in river channels, in canals, and on the flood plains. In Iraq, the soil has a high saline content. As the water table rises through flooding or through irrigation, salt rises into the topsoil, rendering agricultural land sterile. In addition, the alluvial silt is highly saline. Drainage thus becomes very important; however, Iraq's terrain is very flat. Baghdad, for example, although 550 kilometers from the Persian Gulf, is only 34 meters above sea level. This slight gradient makes the plains susceptible to flooding and, although it facilitates irrigation, it also hampers drainage. The flat terrain also provides relatively few sites for dams. Most important, Iraq lies downstream from both Syria and Turkey on the Euphrates River and downstream from Turkey on the Tigris River. In the early 1970s, both Syria and Turkey completed large dams on the Euphrates and filled vast reservoirs. Iraqi officials protested the sharp decrease in the river's

flow, claiming that irrigated areas along the Euphrates in Iraq dropped from 136,000 hectares to 10,000 hectares from 1974 to 1975.

Despite cordial relations between Iraq and Turkey in the late 1980s, the issue of water allocation continued to cause friction between the two governments. In 1986 Turkey completed tunnels to divert an estimated one-fifth of the water from the Euphrates into the Atatürk Dam reservoir. The Turkish government reassured Iraq that in the long run downstream flows would revert to normal. Iraqi protests were muted, because Iraq did not yet exploit Euphrates River water fully for irrigation, and the government did not wish to complicate its relationship with Turkey in the midst of the Iran-Iraq War.

Land Tenure and Agrarian Reform

Iraq's system of land tenure and inefficient government implementation of land reform contributed to the low productivity of farmers and the slow growth of the agricultural sector. Land rights had evolved over many centuries, incorporating laws of many cultures and countries. The Ottoman Land Code of 1858 attempted to impose order by establishing categories of land and by requiring surveys and the registration of land holdings. By World War I, only limited registration had been accomplished and land titles were insecure, particularly under the system of tribal tenure through which the state retained ownership of the land although tribes used it.

By the early 1930s, large landowners became more interested in secure titles because a period of agricultural expansion was under way. In the north, urban merchants were investing in land development, and in the south tribes were installing pumps and were otherwise improving land (see *Rural Society*, ch. 2). In response, the government promulgated a law in 1932 empowering it to settle title to land and to speed up the registration of titles. Under the law, a number of tribal leaders and village headmen were granted title to the land that had been worked by their communities. The effect, perhaps unintended, was to replace the semicommunal system with a system of ownership that increased the number of sharecroppers and tenants dramatically. A 1933 law provided that a sharecropper could not leave if he were indebted to the landowner. Because landowners were usually the sole source of credit and almost no sharecropper was free of debt, the law effectively bound many tenants to the land.

The land tenure system under the Ottomans, and as modified by subsequent Iraqi governments, provided little incentive to

improve productivity. Most farming was conducted by sharecroppers and tenants who received only a portion—often only a small proportion—of the crop. Any increase in production favored owners disproportionately, which served as a disincentive to farmers to produce at more than subsistence level. For their part, absentee owners preferred to spend their money in acquiring more land, rather than to invest in improving the land they had already accumulated.

On the eve of the 1958 revolution, more than two-thirds of Iraq's cultivated land was concentrated in 2 percent of the holdings, while at the other extreme, 86 percent of the holdings covered less than 10 percent of the cultivated land. The prerevolutionary government was aware of the inequalities in the countryside and of the poor condition of most tenant farmers, but landlords constituted a strong political force during the monarchical era, and they were able to frustrate remedial legislation.

Because the promise of land reform kindled part of the popular enthusiasm for the 1958 revolution and because the powerful landlords posed a potential threat to the new regime, agrarian reform was high on the agenda of the new government, which started the process of land reform within three months of taking power. The 1958 law, modeled after Egypt's law, limited the maximum amount of land an individual owner could retain to 1,000 dunums (100 hectares) of irrigated land or twice that amount of rain-fed land. Holdings above the maximum were expropriated by the government. Compensation was to be paid in state bonds, but in 1969 the government absolved itself of all responsibility to recompense owners. The law provided for the expropriation of 75 percent of all privately owned arable land.

The expropriated land, in parcels of between seven and fifteen hectares of irrigated land or double that amount of rain-fed land, was to be distributed to individuals. The recipient was to repay the government over a twenty-year period, and he was required to join a cooperative. The law also had temporary provisions maintaining the sharecropping system in the interim between expropriation and redistribution of the land. Landlords were required to continue the management of the land and to supply customary inputs to maintain production, but their share of the crop was reduced considerably. This provision grew in importance as land became expropriated much more rapidly than it was being distributed. By 1968, 10 years after agrarian reform was instituted, 1.7 million hectares had been expropriated, but fewer than 440,000 hectares of sequestered land had been distributed. A total of 645,000 hectares had been allocated to nearly 55,000 families, however,

because several hundred thousand hectares of government land were included in the distribution.

The situation in the countryside became chaotic because the government lacked the personnel, funds, and expertise to supply credit, seed, pumps, and marketing services—functions that had previously been performed by landlords. Landlords tended to cut their production, and even the best-intentioned landlords found it difficult to act as they had before the land reform because of hostility on all sides. Moreover, the farmers had little interest in cooperatives and joined them slowly and unwillingly. Rural-to-urban migration increased as agricultural production stagnated, and a prolonged drought coincided with these upheavals. Agricultural production fell steeply in the 1960s and never recovered fully.

In the 1970s, agrarian reform was carried further. Legislation in 1970 reduced the maximum size of holdings to between 10 and 150 hectares of irrigated land (depending on the type of land and crop) and to between 250 and 500 hectares of nonirrigated land. Holdings above the maximum were expropriated with compensation only for actual improvements such as buildings, pumps, and trees. The government also reserved the right of eminent domain in regard to lowering the holding ceiling and to dispossessing new or old landholders for a variety of reasons. In 1975 an additional reform law was enacted to break up the large estates of Kurdish tribal landowners. Additional expropriations such as these exacerbated the government's land management problems. Although Iraq claimed to have distributed nearly 2 million hectares by the late 1970s, independent observers regarded this figure as greatly exaggerated. The government continued to hold a large proportion of arable land, which, because it was not distributed, often lay fallow. Rural flight increased, and by the late 1970s, farm labor shortages had become so acute that Egyptian farmers were being invited into the country.

The original purpose of the land reform had been to break up the large estates and to establish many small owner-operated farms, but fragmentation of the farms made extensive mechanization and economies of scale difficult to achieve, despite the expansion of the cooperative system. Therefore, in the 1970s, the government turned to collectivization as a solution. By 1981 Iraq had established twenty-eight collective state farms that employed 1,346 people and cultivated about 180,000 hectares. In the 1980s, however, the government expressed disappointment at the slow pace of agricultural development, conceding that collectivized state farms were not profitable. In 1983 the government enacted a new law encouraging both local and foreign Arab companies or individuals to lease

larger plots of land from the government. By 1984, more than 1,000 leases had been granted. As a further incentive to productivity, the government instituted a profit-sharing plan at state collective farms. By 1987, the wheel appeared to have turned full circle when the government announced plans to reprivatize agriculture by leasing or selling state farms to the private sector.

Cropping and Livestock

Most farming in Iraq entails planting and harvesting a single crop per year. In the rain-fed areas the winter crop, primarily grain, is planted in the fall and harvested in the spring. In the irrigated areas of central and southern Iraq, summer crops predominate. A little multiple cropping, usually of vegetables, exists where irrigation water is available over more than a single season.

Even with some double or triple cropping, the intensity of cultivation is usually on the order of 50 percent because of the practice of leaving about half the arable land fallow each year. In the rain-fed region, land is left fallow so that it can accumulate moisture. The fertility of fallow land is also increased by plowing under weeds and other plant material that grow during the fallow period. On irrigated land, fallow periods also contribute some humus to the soil.

Grain, primarily wheat and barley, was Iraq's most important crop. Cereal production increased almost 80 percent between 1975 and 1985, notwithstanding wide variations in the harvest from year to year as the amount and the timing of rainfall strongly affected both the area planted and the harvest. Between 1980 and 1985, the area under wheat cultivation increased steadily for a cumulative growth of 30 percent, to about 1,566,500 hectares. In 1985, the most recent year for which statistics were available in 1988, Iraq harvested a bumper crop of 1.4 million tons of wheat. In 1984, a drought year, Iraq harvested less than half the planted area for a yield of between 250,000 and 471,000 tons, according to foreign and Iraqi sources respectively. The north and central rain-fed areas were the principal wheat producers (see table 7, Appendix).

Barley requires less water than wheat does, and it is more tolerant of salinity in the soil. For these reasons, Iraq started to substitute barley production for wheat production in the 1970s, particularly in southern regions troubled by soil salinity. Between 1980 and 1985, the total area under barley cultivation grew 44 percent, and by 1985 barley and wheat production were virtually equal in terms both of area cultivated and of total yield. Rice, grown in paddies, was Iraq's third most important crop as measured by cultivated area, which in 1985 amounted to 24,500 hectares. The area under cultivation, however, did not grow appreciably between

1980 and 1985; 1985 production totaled almost 150,000 tons. Iraq also produced maize, millet, and oil seeds in smaller quantities.

A number of other crops were grown, but acreage and production were limited. With the exception of tobacco, of which Iraq produced 17,000 tons on 16,500 hectares in 1985, cash crop production declined steeply in the 1980s. Probably because of domestic competition from synthetic imports and a declining export market, production of cotton was only 7,200 tons in 1985, compared with 26,000 tons in 1977. Production of sugar beets was halted completely in 1983, and sugarcane production declined by more than half between 1980 and 1985.

Iraq may have cut back on production of sugar beets and sugarcane because of an intention to produce sugar from dates. Dates, of which Iraq produces eight distinct varieties, have long been a staple of the local diet. The most abundant date groves were found along the Shatt al Arab. In the early 1960s, more than 30 million date palms existed. In the mid-1970s, the Iraqi government estimated that the number of date palms had declined to about 22 million, at which time production of dates amounted to 578,000 tons. The devastation of the Shatt al Arab area during the Iran-Iraq War hastened the destruction of date palm groves, and in 1985 the government estimated the number of date palms at fewer than 13 million. Date production in 1987 dropped to 220,000 tons. The government-managed Iraqi Date Administration, however, planned to increase production in an attempt to boost export revenue. In 1987 about 150,000 tons, or 68 percent of the harvest, was exported, primarily to Western Europe, Japan, India, and other Arab countries. The Iraqi Date Administration also devised plans to construct large facilities to extract sugar, alcohol, vinegar, and concentrated protein meal from dates. Iraq produced a variety of other fruits as well, including melons, grapes, apples, apricots, and citrus. Production of such fruits increased almost 30 percent between 1975 and 1985.

Vegetable production also increased, particularly near urban centers, where a comparatively sophisticated marketing system had been developed. Vegetable gardening usually employed relatively modern techniques, including the use of chemical fertilizers and pesticides. Tomatoes were the most important crop, with production amounting to more than 600,000 tons in 1985. Other vegetables produced in significant quantity were beans, eggplant, okra, cucumbers, and onions. Overall vegetable production increased almost 90 percent between 1975 and 1985, even though the production of legumes dropped about 25 percent over the same period.



*Date palms along the Tigris River near Baghdad
Courtesy Matson Collection*

Crop production accounted for about two-thirds of value added in the agricultural sector in the late 1980s, and the raising of livestock contributed about one-third. In the past, a substantial part of the rural population had been nomadic, moving animals between seasonal grazing areas. Sheep and goats were the most important livestock, supplying meat, wool, milk, skins, and hair. A 1978 government survey, which represented the most recent official data available as of early 1988, estimated the sheep population at 9.7 million and the goat population at 2.1 million. Sheep and goats were tended primarily by nomadic and seminomadic groups. The 1978 survey estimated the number of cattle at 1.7 million, the number of water buffalo at 170,000, the number of horses at 53,000, and the number of camels at 70,000.

In the 1970s, the government started to emphasize livestock and fish production, in an effort to add protein to the national diet. But 1985's red meat production (about 93,000 tons) and milk production (375,000 tons) were, respectively, about 24 and 23 percent less than the in 1975 totals, although other figures indicated that total livestock production remained stable between 1976 and 1985. In the mid-1980s, however, British, West German, and Hungarian companies were given contracts to establish poultry farms. At the same time, the government expanded aquaculture and deep-sea fishing. Total production of processed chicken and fish almost doubled, to about 20,000 tons apiece, from 1981 to 1985, while egg production increased substantially, to more than 1 billion per year. The government planned to construct a US\$160 million deep-sea fishing facility in Basra and predicted that, within 10 years, freshwater fishing would supply up to 100,000 tons of fish. Iraq nevertheless continued to import substantial quantities of frozen poultry, meat, and fish to meet local needs for protein.

Transportation

Transportation was one of the Iraqi economy's most active sectors in the late 1980s; it was allocated a large share of the domestic development budget because it was important to the government for several reasons. Logistics became a crucial factor in Iraq's conduct of the Iran-Iraq War. The government also recognized that transportation bottlenecks limited industrial development more than any other factor. Finally, the government believed that an expanded transportation system played an important political role by promoting regional integration and by heightening the central government's presence in the more remote provinces. For these reasons, the government embarked on an ambitious plan to upgrade and to extend road, rail, air, and river transport simultaneously. Iraq's

main transportation axis ran roughly northwest to southeast from Mosul via Kirkuk to Baghdad, and then south to Basra and the Gulf. In the 1980s, efforts were underway to link Baghdad more closely with the Euphrates River basin to the west (see fig. 10).

Roads

The total length of Iraq's network of paved roads almost doubled between 1979 and 1985, to 22,397 kilometers, augmented by an additional 7,800 kilometers of unpaved secondary and feeder roads. In 1987 Iraq's major road project was a 1,000-kilometer-long segment of a six-lane international express highway that would eventually link the Persian Gulf states with the Mediterranean. In Iraq, the road would stretch from the Jordanian border through Ar Rutbah to Tulayah near An Najaf, then to the southern Iraqi town of Ash Shaykh ash Shuyukh, and finally to the Kuwaiti border at Safwan. Construction was under way in the late 1980s. Plans were also being made for another highway, which would link Baghdad with the Turkish border via Kirkuk and Mosul. There was progress as well on a program to build 10,000 kilometers of rural roads.

Railroads

Iraq possessed two separate railroads at independence, one standard gauge and one meter gauge. The standard gauge line ran north from Baghdad through Mosul to the Syrian border and to an eventual connection with the Turkish railroad system, and the meter gauge line ran south from Baghdad to Basra. Because the two systems were incompatible, until the 1960s cargo had to be transloaded at Baghdad to be transported between the two halves of the country. The Soviet Union helped extend the standard gauge system to Basra, and by 1977 fully 1,129 kilometers of Iraq's 1,589 kilometers of railroad were standard gauge. By 1985 the total length of railroad lines had been extended to 2,029 kilometers, of which 1,496 kilometers were standard gauge. In 1985 the railroads were being traveled by 440 standard-gauge locomotives that moved 1.25 billion tons of freight per kilometer. A 252-kilometer line linking Kirkuk and Al Hadithah was completed by contractors from the Republic of Korea (South Korea) in 1987 after five years of work. Built at a cost of US\$855 million, the line was designed to carry more than 1 million passengers and more than 3 million tons of freight annually. The system included maintenance and control centers and more than thirty bridges crossing the Tigris and Euphrates rivers. By the end of the century, Iraq planned to triple the line's passenger capacity and to double its freight capacity.

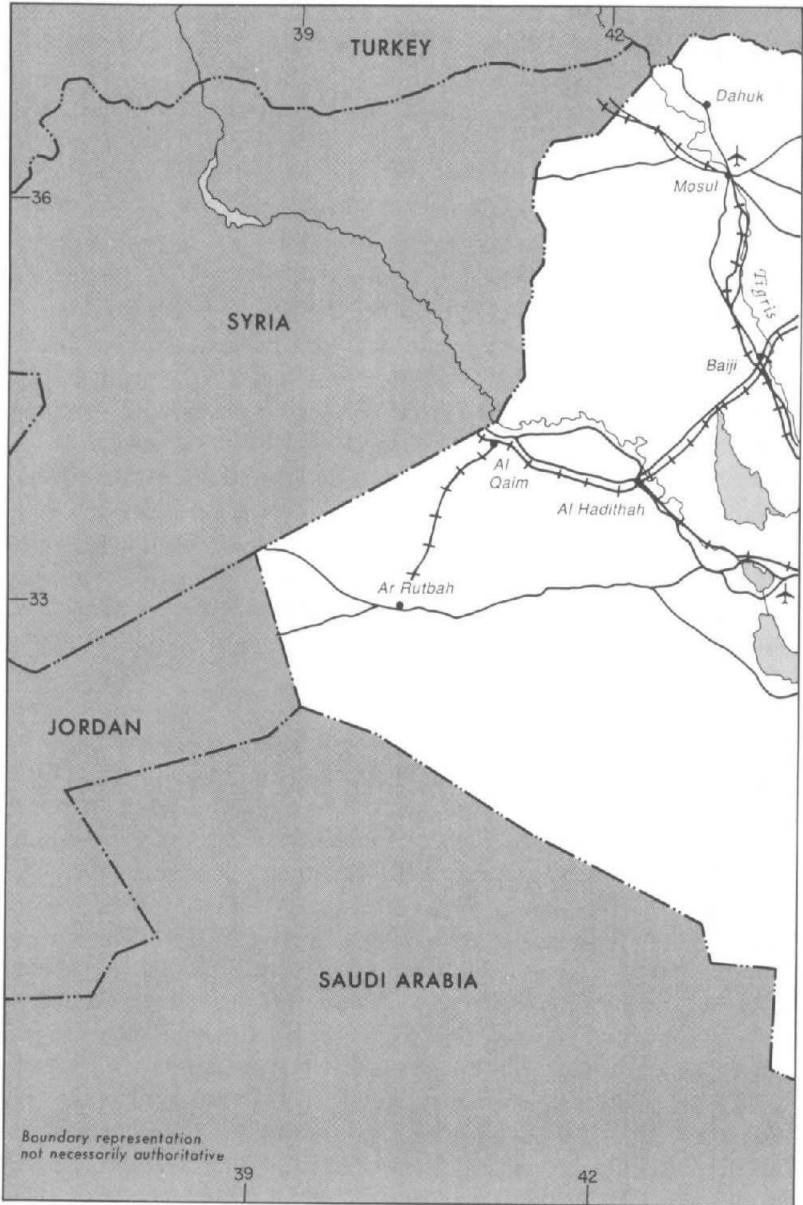
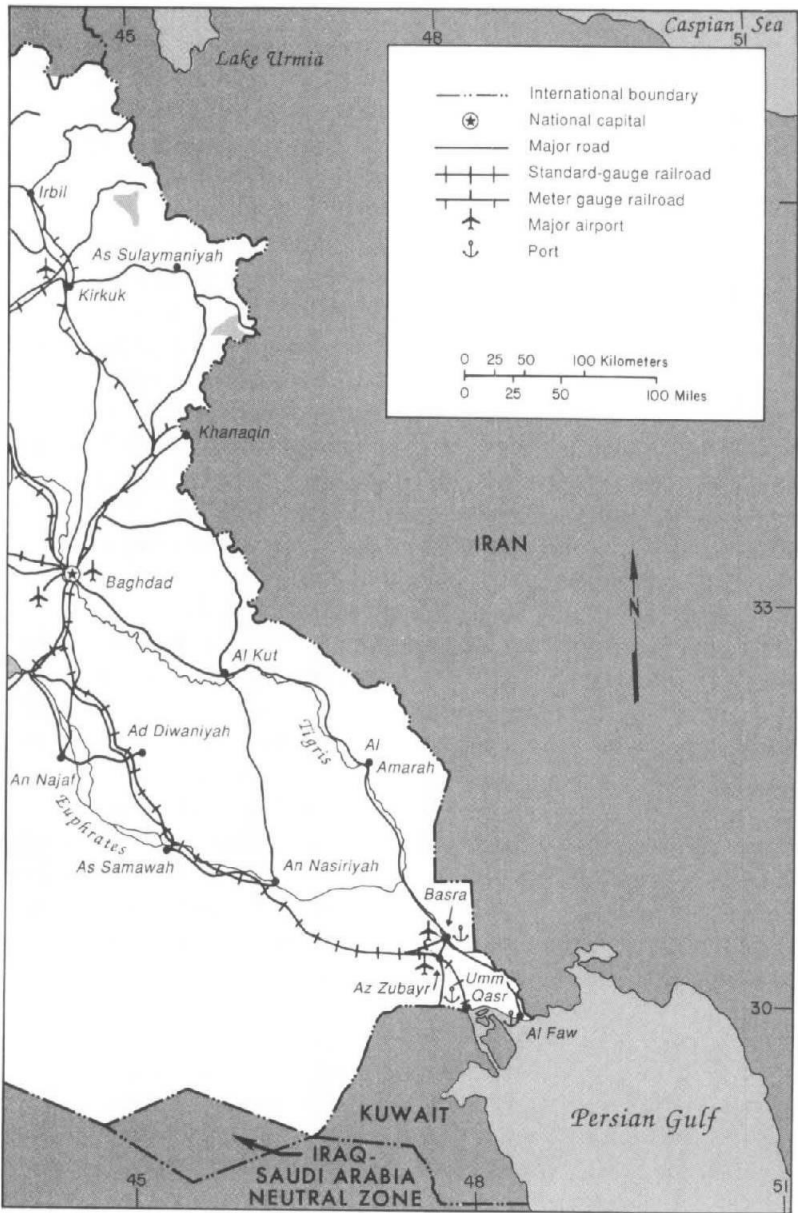


Figure 10. Transportation System, 1988

A 550-kilometer line, built by a Brazilian company and extending from Baghdad to Qusaybah on the Syrian border, was also opened in the same year. In 1987 Indian contractors were finishing work



on a line between Al Musayyib and Samarra. Iraqi plans also called for replacing the entire stretch of railroad between Mosul and Basra with modern, high-speed track, feeding all lines entering Baghdad

into a 112-kilometer loop around the city, and improving bridges, freight terminals, and passenger stations. In addition, Iraq has conducted intermittent negotiations over the years with Turkey, Kuwait, and Saudi Arabia concerning the establishment of rail links to complete a continuous Europe-Persian Gulf railroad route.

Ports

At independence, Iraq had little port capacity, a fact that reflected the low level of foreign trade and the country's traditional overland orientation toward Syria and Turkey rather than toward the Gulf. Since then, the Gulf port of Basra has been expanded many times, and a newer port was built at Umm Qasr to relieve pressure on Basra. Oil terminals were located at Khawr al Amayah, and Mina al Bakr, Al Faw, and a port was built in tandem with an industrial center at Khawr az Zubayr. Because Iraq's access to the Gulf was an Iranian target in the Iran-Iraq War, port activities were curtailed severely in the 1980s. Before shipping can be resumed after the war, the Shatt al Arab will have to be cleared of explosives and wreckage, which will take years.

Despite long-standing government interest in developing the Tigris and the Euphrates rivers into major arteries for inland transport, little had been accomplished by the late 1980s, primarily because of the massive scale of such a project. Dredging and the establishment of navigation channels had been completed on several stretches of the Tigris south of Baghdad, and in 1987 a river freight route using barges was opened between Baghdad and Al Amarah. Iraq investigated the possibility of opening the entire Tigris River between Mosul and Baghdad, as well as the feasibility of opening a stretch of the Euphrates between Al Hadithah and Al Qurnah, but lack of funds precluded further action.

Airports

In 1988 Iraq had two international airports, one at Baghdad and one at Basra. In 1979 a French consortium was awarded a US\$900 million contract to build a new international airport at Baghdad. By 1987 the facility was partially completed and in use. The Basra airport was also being upgraded with an extended 4,000-meter runway and other facilities at a cost in excess of US\$400 million. A third international airport was planned for Mosul.

The State Enterprise for Iraqi Airways was the sole domestic airline in operation in 1988. The company was established in 1945 by Iraqi State Railways. In 1987, the airline's fleet included thirty-five Soviet-built Antonov and Ilyushin cargo planes and fourteen Boeing passenger jets, as well as smaller commuter aircraft and

VIP jets. The airline provided service throughout the Mediterranean, the Middle East, and Europe, as well as to Brazil and to the Far East. In 1987 Saddam Husayn announced a decree to privatize Iraqi Airways. Two new ventures were to be established instead: the Iraqi Aviation Company to operate commercially as the national airline, and the National Company for Aviation Services to provide aircraft and airport services. Stock would be sold to the public, and the government would retain a minority share.

Telecommunications

In 1988 Iraq had a good telecommunications network of radio communication stations, radio relay links, and coaxial cables. Iraqi radio and television stations came under the government's Iraqi Broadcasting and Television Establishment, which was responsible to the Ministry of Culture and Information. The domestic service had one FM and nine AM stations with two program networks. The domestic service broadcast mainly in Arabic, but also in Kurdish, Turkoman, and Assyrian from Kirkuk. The short wave foreign service broadcast in Arabic, Azeri Turkish, English, French, German, Hebrew, Kurdish, Persian, Russian, Spanish, and Urdu. Television stations were located in the major cities, and they carried two program networks. In 1988 Iraq had approximately 972,000 television sets; the system was connected to both the Atlantic Ocean and Indian Ocean systems of the International Telecommunications Satellite Organization (INTELSAT) as well as to one Soviet Intersputnik satellite station. It also had coaxial cable and radio relays linking it to Jordan, Kuwait, Syria, and Turkey. Iraq had an estimated 632,000 telephones in 1988.

Electricity

Iraqi electric power consumption increased by a factor of fourteen in the twenty-year period between 1968 and 1988, and in the late 1980s it was expected to double every four to five years. Ongoing rural electrification contributed to increased demand; about 7,000 villages throughout the nation were provided electricity in the same twenty-year period. The destruction in 1980 of power-generating facilities near the Iran-Iraq border interrupted only temporarily the rapid growth in production and consumption. In 1981 the government awarded US\$2 billion in contracts to foreign construction companies that were building hydroelectric and thermal generating plants as well as transmission facilities. By 1983 the production and consumption of electricity had recovered to the prewar levels of 15.6 billion kwh (kilowatt hours) and 11.7 billion kwh, respectively. As previously commissioned projects continued

to come onstream, Iraq's generating capacity was expected to exceed 6,000 megawatts by 1986. In December 1987, following the completion of power lines designed to carry 400 million kwh of power to Turkey, Iraq became the first country in the Middle East to export electric power. Iraq was expected to earn US\$15 million annually from this arrangement. Long-range plans entailed exporting an additional 3 billion kwh to Turkey and eventually providing Kuwait with electricity.

Iraq's plans to develop a nuclear generating capacity were set back by Israel's June 1981 bombing of the Osiraq (Osiris-Iraq) reactor, then under construction (see *The Search for Nuclear Technology*, ch. 5). In 1988 French, Italian, and Soviet technicians were exploring the feasibility of rebuilding the reactor at a different site. Saudi Arabia had promised to provide financing, and Brazil and Portugal reportedly had agreed to supply uranium.

Foreign Trade

The pattern of Iraqi foreign trade in the 1980s was shaped primarily by the Iran-Iraq War, its resulting deficit and debt problems, and developments in the petroleum sector. Iranian attacks on petroleum industry infrastructure reduced oil exports sharply and Iraq incurred a trade deficit of more than US\$10 billion in 1981. The pattern continued in 1982 as the value of Iraqi imports peaked at approximately US\$23.5 billion, while exports reached a nadir of US\$11.6 billion, leading to a record trade deficit. In 1983, however, imports were cut roughly by half. Figures for Iraq's imports and exports from 1984 onward vary widely and cannot be considered authoritative. Despite the partial recovery of Iraqi oil exports in 1986, exports were valued at only about US\$7.5 billion because of the plunge in world oil prices (see *Oil in the 1980s*, this ch.). In 1987 imports were expected to rise to about US\$10 billion. Export revenues were also expected to rise, as Iraq compensated for low oil prices with a higher volume of oil exports (see table 8, Appendix).

Iraq had counted heavily on solving its twin debt and deficit problems by reestablishing and eventually by augmenting its oil export capacity. But increases in volume were insufficient to offset lower prices, and because demand remained low, expanded oil exports served only to glut the market and further drive down the price of oil. The depressed price of oil and the low prices of other raw materials that Iraq exported, coupled with higher prices for the goods it imported, trapped the nation in the classic dilemma of declining terms of trade. Although Iraq was cutting the volume of its imports and was increasing the volume of its exports, the

relative values of imports and exports had shifted fundamentally. More than 95 percent of Iraq's exports were raw materials, primarily petroleum. Foodstuffs accounted for most additional exports. Conversely, nearly half of Iraq's imports were capital goods and consumer durables. According to Iraqi statistics, 34.4 percent of 1984 imports were capital goods, 30 percent were raw materials, 22.4 percent were foodstuffs, and 12.5 percent were consumer items.

Iraq's declining imports resulted not so much from belt-tightening or from import substitution, as from the increasing reluctance of trading partners to extend credit. Despite its socialist orientation, Iraq had long traded most heavily with Western Europe. Initially, Iraq's debt accumulation worked in its favor by creating a hostage effect. Western creditors, both governments and private companies, continued to supply Iraq in an effort to sustain the country until it could repay them. Additionally, the debt helped to secure outlets for Iraqi petroleum in a tight international market through barter agreements in which oil was exchanged for a reduction in debt. In 1987, however, as some West European companies prepared to cut their losses and to withdraw from the Iraqi market, and as others curtailed sales by limiting credits, other countries were poised to fill the vacuum by offering goods and services on concessional terms. Companies from Brazil, South Korea, India, Yugoslavia, and Turkey, backed by their governments' export credit guarantees, were winning an increasing share of the Iraqi market. In 1987 the Soviet Union and East European nations were also offering goods and services on highly concessional terms. Eventually, Iraq's exports might also be diverted from the West toward its new trading partners.

Iraq continued to seek Western imports when it could afford them. In 1987 Iraq was forced to ration imports for which payment was due in cash, although nonessential imports were purchased if the seller offered credit. Imports contributing to the war effort had top priority. Imports of spare parts and of management services for the maintenance of large industrial projects were also deemed vital, as Iraq sought to stave off the extremely high costs it would incur if facilities were shut down, mothballed, and then reopened in the future. Consumer goods were given lowest priority.

In 1985 Iraq purchased 14.4 percent of its total imports from Japan. Iraq bought an array of Japanese products, ranging from transport equipment, machinery, and electrical appliances to basic materials such as iron and steel, textiles, and rubber goods. In 1987, as Iraqi debt to Japan mounted to US\$3 billion, the government of Japan curtailed the export insurance it had offered Japanese

companies doing business with Iraq; nevertheless, Japanese companies continued to trade with Iraq. Iraq bought 9.2 percent of its imports from West Germany. Neighboring Turkey provided the third largest source of Iraqi imports, accounting for 8.2 percent of the total. Italy and France each accounted for about 7.5 percent, followed by Brazil with 7 percent and Britain with 6.3 percent. Kuwait was Iraq's most important Arab trading partner, contributing 4.2 percent of Iraq's imports (see table 9, Appendix).

In 1985 Brazil was the main destination of Iraqi exports, accounting for 17.7 percent of the total. France was second with 13 percent, followed by Italy with 11 percent, Spain with 10.7 percent, Turkey and Yugoslavia with about 8 percent each, Japan with about 6 percent, and the United States with 4.7 percent.

In April 1987, the government attempted to streamline the trade bureaucracy by eliminating five state trading companies that dealt in various commodities. Although the state trading companies had been established in the 1970s to foster increased domestic production, they had evolved into importing organizations. In view of this orientation, their operations were incorporated into the Ministry of Trade. Three Ministry of Trade departments, which had administered trade with socialist, with African, and with Arab nations, were abolished. The responsibilities of these disbanded organizations were centralized in a new Ministry of Trade department named the General Establishment for Import and Export.

The Ministry of Trade implemented a national import policy by allocating portions of a total budget among imports according to priority. The import budget varied from year to year, depending on export earnings and on the amount in loans that had been secured from foreign creditors. The government's underlying intention was gradually to replace imported manufactured products with domestic manufactured products and then to increase export sales. In the mid-1980s, however, the government recognized that increased domestic production required the import of intermediate goods. In 1987 state companies were permitted for the first time to use private agents or middlemen to facilitate limited imports of necessary goods.

The private sector, which had long been accorded a quota of total imports, was also deregulated to a limited extent. In 1985 the quota was increased to 7.5 percent of total imports, and the government gave consideration to increasing that percentage further. All imports by the private sector had previously been subject to government licensing. In 1985, Law No. 60 for Major Development Projects exempted the private sector from the obligation to obtain licenses to import basic construction materials that would be used

in major development projects. In an attempt to increase remittances from Iraqis abroad, the government also gave special import licenses to nonresident Iraqis, if the value of the imports was invested in Iraq and was not transferred outside the country.

In 1987 the rules concerning private sector imports were liberalized further when private sector manufacturers were granted special licenses that permitted them to import raw materials, spare parts, packaging, machinery, and equipment necessary for plant modernization and for expansion. In some cases no ceiling was placed on such imports, while in other cases imports were limited to 50 percent of the value of the export earnings that the manufacturer generated. Such imports were not subject to quotas or to foreign exchange restrictions. Moreover, the government announced that it would make no inquiry into the companies' sources of financing. In a remarkably candid statement in a June 1987 speech, Saddam Husayn promised that citizens would not be asked where they had acquired their money, and he admitted that the private sector had not imported any goods because of its fear of prosecution by the security services for foreign exchange violations.

While the government permitted more imports by the private sector, it nevertheless continued to promote exports at the same time. Starting in 1969 it maintained an Export Subsidy Fund, which underwrote the cost of eligible nonpetroleum exports by up to 25 percent. The Export Subsidy Fund was financed with a tax of .5 percent levied on imports of capital goods and .75 percent levied on imports of consumer goods. Most imports were also charged both duty and a customs surcharge that varied from item to item. Export licenses were granted freely both to public and to private sector firms with only a few exceptions. The Board of Regulation of Trade had the authority to prohibit the export of any commodity when domestic supplies fell short of demand, and the control over export of certain items was reserved for the General Organization of Exports. The degree to which government economic policies would be liberalized in the late 1980s remained to be seen. The government had taken several steps in that direction but state controls continued to play a major role in the economy in 1988.

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Both primary and secondary source information on the Iraqi economy tends to be scant and dated. The government of Iraq has regarded data on national economic performance as a state secret, particularly since the start of the Iran-Iraq War in 1980. The government does not publish a budget, although it releases

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a yearbook, the *Annual Abstract of Statistics*, which contains some economic figures. The Iran-Iraq War has also diverted scholarly attention from economic issues. One exception is Phebe Marr's *The Modern History of Iraq*, which contains a chapter titled "Economic and Social Changes under the Revolutionary Regime." The most detailed and authoritative periodic reports on the Iraqi economy are produced by the Wharton Econometric Forecasting Associates in their semiannual *Middle East Economic Outlook*. The Economist Intelligence Unit's *Country Report: Iraq*, a quarterly, contains much useful information and analysis. Another good source of up-to-date information is the *Middle East Economic Digest*. (For further information and complete citations, see Bibliography.)