

## **Reconstruction of Iraq** *Debt, Construction Boom, and Economic Diversification*

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### **Synopsis**

A set of macroeconomic, development and social issues is taken-up in this paper. The argument starts from the fact that a construction boom is forthcoming, which is initiated and fuelled by sizable investment programmes. This is bound to raise important policy issues and unleash a host of economic and social consequences. Ensuing developments take place within an economic structure that had been exposed to repeated structural breaks. Our projections, for the coming decade, show that the commanding role of oil revenues could continue, thus risking the perpetuation of the rentier economy. On the other hand development efforts, especially during the critical ten years ahead, will be threatened seriously by the looming burden of debt and reparations service. Based on our projections of a balance of payments gap we find out that a reduction in external debt of about 80% is necessary to sustain development and growth. The envisaged new set of institutional and policy changes will transform the closed economy to an open one and would, most likely, improve economic efficiency. However, if not augmented by deeper structural reforms the dependence on oil may continue. The paper recommends a set of structural reforms in the education, economic and social spheres that may enhance the opportunity for economic diversification, which is not only necessary for sustainable economic development but also equally important for social and political stability and accountability.

### **I. Introduction<sup>1</sup>**

During much of its recent history the economic system in Iraq had been dominated by the state. In the years leading to 1952, however, the system was mainly private-based with the state collecting taxes. In those eventful years agriculture was the main foreign exchange earner, (Hasan 1965). Nascent industrialisation, undertaken by the private sector, largely in consumer goods (textiles, oils, leatherwork, cement, etc, Langley 1967), had not changed the fact of agricultural surplus as the main source of foreign exchange. The leading role of agriculture in foreign exchange earnings (and government revenues) was paralleled by the bigger share of rural in total population. The countryside continued its bigger share up to, and some time after the 1958 Revolution. By 1957 it made about 60% of total population down from 66% in 1947 (table 1).

Gradually, crude oil exports took over as the major source of foreign exchange and government revenues. After 1952's so-called profit-sharing agreements, rapidly rising share of oil in government revenues started a process of enduring, far-reaching and reinforcing developments in economic, political and social change. Between 1947 and 1977 the economy had moved from a mainly rural society (66% of total population) depending largely on agricultural surplus to mainly urban society (64% of total population) depending almost exclusively on the proceeds of oil exports. The toiling for scarce foreign exchange in the past gave way to the leisure of getting the oil rent. Concurrently, the state widened its domain in economic sphere through budgetary spending, i.e. construction of infrastructure and social capital and

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<sup>1</sup> I thank Ferhang Jalal for his comments on an earlier draft.

current expenditures (1952-1963). Afterwards, the domain was widened further through encroachment on the private sector and direct involvement in production, (Jalal 2004).

The state had increasingly become the largest employer in the economy<sup>2</sup>. Consequently, the main constituents of the middle class had been, gradually transformed from the, more or less, independent group of traders, industrialists, small farmers, shop owners and professionals to the group of civil servants and public sector employees. What remained of the old group had been made to succumb to the will of the state through contracts, subcontracts and affiliation in business. Furthermore, although public employees had long been leveraged by the state (especially after 1964's nationalisations), effective, elaborate and excessive leverage took a new turn in 1968 onward only to reach unprecedented proportions by the end of Iran-Iraq war (Batatu 1978, Tripp 2000).

## **II. Reconstruction**

### ***II.1 The infrastructure***

From 1952 to 1982 the infrastructure (transport, communications, electricity and water, schools, hospitals & clinics, etc) underwent steady and continuous extensions and upgrading. In 1982, however, it became clear that the Iran campaign is a real war and will be expensive in terms of men, arms, income, wealth and institutions. Due to physical destruction and lack of adequate investment, since then, the infrastructure had deteriorated continuously, only made functional by the sheer need and heavy hand of the system. The deterioration continued further after the invasion of Kuwait to be made worse by the 13-year long regime of sanctions. When the old regime collapsed the infrastructure underwent further destruction through theft and sabotage. A dire picture had emerged about a country with ruinous infrastructure and institutions. Since April 2003, violence added its toll on the economy.

The state of the infrastructure is best inferred from a **UN/WB** report (2003). From the report it is clear that to rehabilitate the infrastructure US\$ 55 Billion is needed in four years (2004-2007). This is considered necessary for a

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<sup>2</sup> The number of employees in civil service, health, education and state-owned enterprises jumped from 20 Thousands in 1958 to 580 thousands in 1977 (Khafaji) to 821 in 1993 (CSO 1994). These figures do not include armed, intelligence and Para-military forces or party members on public payroll. In the budget of 2004 a figure of 1.05 million is mentioned. Add to it 0.5 million employees in the state-owned enterprises (Revenue Watch 2004) and the total for 2004 becomes 1.6 million. Public employment during the seventies and eighties, however, were higher than these figures. A more revealing figure can be inferred from the 1987 census for active population under the heading of *Social Sectors* (activity no.9). Though including private services, evidence from other countries suggest that about 90% of the figure is in the public domain. The figure in this activity for 1987 was 1.75 Million (1.95 minus 10%), which is about 44% of economically active population in that year (CSO 1994). Furthermore, other activities (numbers 1-8) do include employees in state-owned enterprises. This enhances the percentage of the active labour force under the direct control of the state to more than 44%.

functional infrastructure. Had things been different it would have evolved from 1982 onward into a different size and shape.

## ***II.2 Projected expenditures: investment and consumption***

The forecast of future expenditures, especially in the ‘transition period’ (2004-2009) will hinge squarely on the realisation of public financing and pledged donations.

Granting stable and secure environment, public and donors’ expenditures, during the transition period will set the pace for the private sector. Expenditures allocations/projection in the budget 2004 cover the period 2004-2006, they encompass the whole of current expenditures and part of investment.<sup>3</sup> The budget does not include the investment schedule or size of the American grant of US\$18.4 Billion. To include this part of investment the UN/WB’s report figures are used (table 3). UN/WB’s report extends the forecast to 2007. Table (4-2) coordinates these allocations/projections for capital investment during the period 2004-2007. Current expenditure figures in the budget enable the forecast of government consumption for 2004-2006. Private consumption is forecast on the basis of salaries and wages generated in the public sector augmented by guesswork for other components. On the basis of the forecast of investment and consumption, imports are then forecast (table 4-3).

As evident from table (4-2) and the projection of sectoral value added in tables (7-1) and (7-2), the investment ‘programme’, if realised, entails a huge jump in construction activities that may not be sustainable especially in 2004, given the absorptive capacity, infrastructure and security situation.

## ***II.3 The coming construction boom***

The projected investment of US\$ 55 billion or so in four years 2004-2007 (tables 3 & 4-2) will reflect directly on the construction sector: building materials, wages, profits, etc<sup>4</sup>. It comes at a time when it had been semi dormant for a long time. Value added generated in this sector was only US\$142 Million in 2002, about a quarter of its size in 1989 (table 5-2). As a result of the expected investment programme, average value added is expected to reach a staggering US\$ 2.5 Billion annually during 2004-2007 (in 2002 prices), about 18 times that of 2002 (table 7-2). Therefore, if the investment programme materialises, a huge construction boom will be underway. The boom is expected to last until 2009.

The evolution of the economy during this period will replicate, and at the same time could deviate from similar boom in the 1970’s. The economic structure will continue to be similar in its dependence on the proceeds of oil.

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<sup>3</sup> Revenue Watch (April 2004) gives a useful account on the preparation, content, presentation and comprehensiveness of budget 2004.

<sup>4</sup> About half this investment will form the gross output of the construction sector. This, in turn, translates in annual value added of about US\$ 3.8 Billion (in current prices) during 2004-2007 (See tables 4-2 and 7-2).

The main difference is that while the institutions and policies of the command economy ruled in the past, the open economy in the future may lead to modified outcomes than that of the 1970's.

Notwithstanding this difference, the construction boom together with the inflow of foreign exchange will, most likely, lead to:

- (1) Inflow of oil revenues and aids increase demand for the Iraqi Dinar (ID) and hence could lead to the appreciation of the nominal rate of exchange of the ID. This is specially so with flexible exchange rate system, if the central bank does not interfere in the exchange market. On the other hand, as the construction boom is concentrated mainly in the non-tradable sectors, economic activity may not result in proportional increase in the supply of goods and services, thus accelerating the demand for imports. This latter effect increases demand for foreign currency and hence exerting downward pressure on the rate of exchange, partially compensating for the former effect. However, the confluence of forces is weighed to lean more in favour of the former effect.
- (2) During the boom it is not easily possible to relieve the capacity constraints of the non-tradable sectors, due to physical constraints, thus rises in the relative (non-tradables to tradables) prices and wage rate in the non-tradable sectors (mainly construction and services) are expected.
- (3) With freer labour market the wage rate in the economy, during the transition period, will be influenced by the non-tradable sectors.
- (4) Land prices also tend to shoot up leading to rising rent and pressures for further wage rises<sup>5</sup>.
- (5) The ensuing increase in relative (domestic to international) prices leads to further appreciation of the (real) exchange rate of the Dinar.

These are usually considered the main economic symptoms of the so-called 'Dutch Disease', which usually renders, *inter alia*, such activities, as manufacturing, incapable of withstanding competition in the international markets, therefore, frustrating the efforts to diversify the economy and perpetuating dependence on oil. Moreover, while benefits from joining the WTO are at their height when an economy possesses vibrant competitive tradables the Dutch Disease renders membership more of a burden than an advantage.

It is incidentally relevant to point out that a managed floating is more conducive to stall appreciation in the rate of exchange and also absorb the shocks of the rising domestic wages. This implies staged depreciation. From the point of view of economic diversification, however, even if such policy is possible it is a short-term solution. See next.

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<sup>5</sup> In this case innovations are needed to stall crises in dwellings availability and rent, especially for low-income groups.

### **III. The management of the rate of exchange<sup>6</sup>**

The exchange rate regime and management will affect and be affected by ongoing and future economic activity. During the last six months the Central Bank of Iraq (CBI) has developed some effective tools to influence the exchange market and reduce manipulative powers of influential operators, mainly through its auctions of foreign exchange. Using its growing reserves of foreign exchange it is increasing its weight in the setting of the exchange rate. The ability of the CBI to manipulate and set the level of the rate depends, thus, on the size of these reserves, which in turn, ultimately depends on the proceeds of oil revenues<sup>7</sup>.

Nominally, the CBI is following a flexible exchange regime. Its main objective, on the other hand, is price stability. In present circumstances, flexibility of the exchange rate and price stability may seem incompatible. If the exchange rate is left really to the market then the CBI should choose another anchor (than the exchange rate) to realise price satiability, say a monetary aggregate that can be maintained through effective monetary policy. With the current state of the economy/security and the underdeveloped money market it seems that the CBI is opting, instead, to stabilise prices through the stabilisation of the rate of exchange (now around ID1500 for one US\$). This is effectively a regime of fixed exchange rate. As long as the rate stays around this level and barring higher international inflation, price stability could be preserved<sup>8</sup>. Furthermore, it is also possible to avoid uncontrolled speculative runs on foreign exchange<sup>9</sup>. Therefore, until and when the economy stabilises and starts to evolve from mainly cash- to more credit-based, and financial intermediation deepens, the CBI will most likely follow a de facto fixed rate regime (in the guise of managed floating!). When monetary tools develop further, price satiability could be achieved by more effective and active monetary policy, during which time the exchange regime becomes more flexible. Speculative runs continue to be a threat when the ID appreciates, but then the economy would have grown in size and the CBI tools in sophistication to handle this effect.

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<sup>6</sup> This section uses some of the arguments expounded in Merza (2003).

<sup>7</sup> The current overall position of the economy, with regard to foreign exchange, can be inferred from the financial balance of the Development Fund of Iraq (DFI). Between May 2003 and April 22, 2004 total cash inflow into the Fund amounted to US\$17.6 Billion. Revenues from oil sales amounted to US\$ 8.3 Billion. The rest is composed of UN Oil For Food Programme US\$ 8.1 Billion and others US\$ 1.2 Billion. After deducting expenditures, during this period, the balance, in the Fund, stood at US\$ 11.1 Billion on April 22, 2004. See CPA web site.

<sup>8</sup> Of course when the reconstruction boom accelerates prices will go up for domestic reasons (largely in the non-tradable sectors).

<sup>9</sup> Emanating mainly from the existing stock of money, reportedly about ID 6 Trillion by April 2004.

Devaluation of the currency may be helpful to counter some of the influences of the Dutch Disease thus making domestic goods more competitive. However, with the main objective of the CBI shifting to price stability its policy on the rate of exchange will reflect more this objective (and the position of the balance of payments) than the competitiveness of the economy. Therefore, the expected appreciation of the ID (nominal and/or real) during the construction boom has to be handled by other policies.

With the liberalisation requirements stipulated by WTO membership, though, the policy set will narrow down. Only structural policies become effective in the medium/long run, to mitigate the effects of the Dutch Disease. See section (VI).

#### **IV. Structural breaks, development and growth**<sup>10</sup>

The degradation of the structure of production (and infrastructure), referred to above, makes it difficult to trace the development of this structure during the last decade and a half (as described by the system of national accounts) and then connect it to the future. Moreover, two further complications make the task harder, first, the multiple exchange rates that prevailed during the last two decades. Secondly, economic institutions and policies will depart significantly from those that prevailed in the past. Despite all of this, it is relevant to have a glimpse on possible future developments starting from existing estimates of the past.

Throughout its recent history the economic structure had suffered many structural breaks mainly due to wars and sanctions. Structural break is defined here as drastic decline in output, destruction of assets and breakdown of institutions and order.<sup>11</sup> The economy had witnessed three major breaks: in 1981, 1991 and in 2003.

In 1981 the main casualty was the exports of oil. Equally enduring casualties were, first the skills and market structure of the labour force due to militarization, and second the gradual disruption of the production system. However, non-oil output did not suffer major decline immediately. This was mainly due to two factors. The first was the high initial reserves of foreign exchange at the time of outbreak of hostilities in September 1980 (reportedly about US\$ 35 Billion). Secondly, immediate physical destruction was not inflicted on the production system<sup>12</sup>.

The break of 1991, on the other hand, was more devastating. At the end of Iran-Iraq war reserves had already been depleted on top of external debt of about three times the initial reserves (table 8-2). The aerial bombing and

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<sup>10</sup> I borrow the term '*structural breaks*' from Fadhil Mahdi of the UN ESCWA.

<sup>11</sup> Milder structural breaks could emanate from technological changes that alter the existing proportionalities and coefficients of the economic and production systems.

<sup>12</sup> However, industrial complexes were targeted specially those of Khor Al Zubair in Basra. Though not seriously damaged, they were rendered inoperative.

popular uprising, in 1991, damaged or disabled a part of the infrastructure and productive units. Both oil and non-oil outputs were hardest hit. Compared to 1989 oil output fell by 95%. Non-oil output fell by 72% (table 5-2). The least affected was agriculture (18%). The hardest hit, within non-oil output, were public services and trade (84%), construction 79%. Electricity suffered 57% of its 1989 output. After a period of hyperinflation in 1990-1995 the economy returned to a more stable course. Price increases stabilised at an average annual rate of 10% in 1995-2002 compared to 237% in 1990-1995. This was closely associated with similar change in the market rate of exchange (table 6). On average, non-oil output languished in a state of stagnation between 1991 and 1999. Some sectors underwent continuous decline such as public services, construction, finance & insurance; manufacturing stagnated, agriculture and trade grew moderately while electricity, real estates and transport & communications grew briskly (table 5-2). In the period 1999-2002, non-oil output grew by 9% annually. Leaders in growth were construction, manufacturing, and electricity. However, by 2002 the non-oil output was only 40% of its level in 1989. Per capita GDP was only 43% of its 1989 level (table 9).

In 2003, by contrast, the break was somewhat different. Although looting and destruction happened in 1991 as well as 2003, it seems that capital de-accumulation was wider in the latter<sup>13</sup>. While order was restored faster in 1991 it is still shaky by mid 2004. Unlike 1991, however, compensatory activities picked up quickly. In spite of the dissolution of the army and widespread unemployment<sup>14</sup>, public wage bill surged in 2003, continued in 2004, and projected to continue in 2005-2006 (table 4-1). Construction in the oilfields, communications, etc have already picked up. On the basis of these admittedly contradictory events and developments (i.e. better economic activity with shaky security), we guess that apart from public services non-oil output (in constant prices) had only fallen by about 28% in 2003 versus 2002. Public services, by contrast, surged in 2003<sup>15</sup>, table (5-2).

Notwithstanding the 2003 (and 2004) social and political strife and hence insecurity, one can traverse from 1995-2002 to post 2003 era assisted by historical analogy and future programmes. Objections relating to discontinuity have some validity but do not render the exercise worthless. Albeit highly battered and bruised the production structure of 2002 resumed its activity in the

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<sup>13</sup> Stories of dramatic looting have infiltrated the media. A dramatic example is a story about unearthing of 50 kilometers of copper cables by looter only to appear later in pieces in the market place for sale!

<sup>14</sup> Reportedly, according to a Central Statistical Organisation's survey in the third quarter of 2003 unemployment rate in Iraq stood at 28% (a conversation with Ahmed Ibrahimi of the CBI). This figure is widely contested as an understatement.

<sup>15</sup> Our estimates of GDP in 2003 in current prices (table 5-1) indicate a fall of 20% compared to that of 2002. This is very close to the rate of fall for GDP in current prices assumed by the UN/WB report (2003), 22%, P.59.

second half of 2003. Together with the new direction of policies and institutions the path of the economy, for the period 2004-2014 can be visualised, although with uncertainty. In spite of institutional and political changes and structural breaks, expenditure programmes are carried out in a familiar economic structure. The transition period 2004-2009 thus represents a transition from a constrained system into freer one.

Yet, based on our projections (tables 4-2, 4-3, 7-2, 8-1, 8-2 and 8-3) we contend that up to 2014 the state of a one-sided oil-dependent economy could continue. The reconstruction boom during the transition period may even contribute to this outcome. The figures, by themselves, are not that important, but the emerging possible outcome is revealing, the realisation of which is obviously worrying. Such an exercise puts a brake on anticipation of a quick fix. This is a serious matter given the growth in the labour force and the need to form sustainable base for employment.

The coming decade, therefore, will be difficult both in terms of managing the economy, meeting external debt and reparation obligations and insuring minimum standards of living.

## **V. External Debt and Reparations**

### ***V.1 External debt***

Although various estimates and figures are being published and exchanged the stock of external debt is not precisely known. This had always been the case in Iraq (and some other countries) as many bodies, within the government and public sector, had borrowed from abroad. Moreover, as it had not been serviced since its inception the added capitalisation of accumulated interest is also problematic. Furthermore, much of the Gulf countries' debt took the form of transfers, i.e. they were not contractual. The IMF was entrusted with the task of enumerating the debt. So far it has not published a report. Until it does one has to be content with the circulating figures. Exaggerations are, thus, quite possible.

Table (8-2) adopts a figure of about US\$ 122 Billion, comprised of Gulf, Paris Club<sup>16</sup> and commercial (or private) loans (including capitalisation of interest). This falls in the range cited by many references<sup>17</sup>. For the various

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<sup>16</sup> Paris Club debt amounts to about US\$ 21 Billion. “[these] figures cover, from the debtor side, the amounts due by the public sector. From the creditors' point of view, the figure includes credits and loans granted by, the Governments or their appropriate institutions. Basically, private claims (debt owed to private creditors) as well as private debt (owed by Iraqi institutions without public guarantee) are excluded from this recollection”, See [www.clubdeparis.org/en/news/page\\_detail\\_news.php?FICHIER=com10578674390](http://www.clubdeparis.org/en/news/page_detail_news.php?FICHIER=com10578674390).

<sup>17</sup> See also Segal (2003). Segal suggests a total of US\$113 Billion composed of Gulf's debt of US\$45.5 Billion, Paris Club's US\$41.5 Billion (compare this to the US\$21 Billion mentioned in the previous footnote) and the rest US\$26 Billion. Of the last figure US\$11.5 Billion goes for private (i.e. commercial) loans: London Club and others. London club debt is that



estimates of Iraqi external debt to date, see table (11), which is prepared by [www.jubleeiraq.org](http://www.jubleeiraq.org).

It is now advanced by many writers and organisations that much of this debt is of odious character (e.g. Stiglitz, Kaiser and Queck, Alexander). But even if this argument is accepted and furthermore sanctioned as so by an international tribunal, national courts of law, in creditors' countries, could overturn such ruling (Segal 2003). This leads to claims and difficulties for Iraq in the markets of concerned countries and thus could affect negatively the reconstruction efforts at the time when Iraq is in need of the goodwill of the international financial community. Therefore, the consent of all creditors' countries is a preferred outcome. Paris Club prefers, it seems, partial (some suggest substantial) debt forgiveness. According to this view about 60-80% of the debt could be forgiven (which would also include the Gulf and even some of the commercial debt). The repayment of the remaining debt would start in 2010 but interest payment starts in 2005. Assuming a reduction rate in the range (60-80%) this would reduce the debt from US\$122 Billion to between US\$24-49 Billion. Interest payment alone (assuming 3% rate), then, would amount to about US\$0.5-1.0 Billion to start payment in 2005. Starting from 2010, up to 2029, annual interest and principal payment amount to about US\$1.5-3.0 Billion, (20-year repayment period), table (8-3).

## ***V.2 Reparations***

Claims for compensation of the consequences of Iraq invasion of Kuwait were submitted to the *United Nations Compensation Commission* (UNCC), a body set up by the UN security council to receive compensation claims, look into them and decide the eligible claims (decision is final). The status of the reparations as of March 19, 2004 is shown in table (2).

Total claims amounted to about US\$ 349 Billion. Most claims (76% of value) have been resolved. By March 19, 2004 the awarded claims amounted to US\$ 48.2 billion. The award rate is 18% of the original claims (i.e. 48.2/266). Extrapolating for the unresolved claims (US\$ 82.6 Billion) suggests further awards of about US\$ 15 Billion, making total awarded & to-be-awarded reparations US\$ 63 Billion<sup>18</sup>, see table (2). About US\$18.2 Billion had already been paid by March 19, 2004, as is clear from the table. The remainder is US\$44.9 Billion (table 10). Adding this figure to the stock of external debt and we have total obligations in the neighbourhood of US\$ 167 Billion.

After May 2003 annual 'service' of reparation claims was diluted to annual payments of 5% of the gross value of oil exports instead of the 28.3%

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guaranteed by the Central Bank of Iraq. On the other hand Paris Club's President Jean Pierre Jouyet was quoted in Feb 11, 2004 for a total debt of US\$ 115-120 Billion.

<sup>18</sup> It is obvious from the table that the award rate is much higher for the individual claims than the other categories in the table. While it is about 54% for individuals it is about 7% for governments.

accrued before that date (25% reparations service plus 3.3% accruing for UNCC management and UN arms inspection teams).

### ***V.3 Sustainability of debt service and reparations payments***

It is difficult to assess sustainability without an agreement on its meaning. If the latter and its measure were defined then the answer would critically depend on the *minimum* reduction, in external debt, needed for service to be sustainable. This can be an iterative process, as shown below.

Let us first define sustainability of debt service in terms of sustainability of economic growth, i.e. the ability of the economy to service debt (principal and interest) within the repayment period and at the same time be able, within this period and beyond, to develop and grow on a sustainable path. We will argue below that relating the balance of payments (BOP) gap to a GDP-targeted growth path is a better measure of debt service sustainability.

The widely used measures of sustainability, i.e. *outstanding debt/GDP* and *debt service/exports* do not relate well to the sustainability of economic growth, which is of critical importance in the case of Iraq. Consider the extreme case of no debt reduction and that debt to be repaid within 20 years at 3% rate of interest and that repayment of principal starts in 2010. Take the *ratio of debt & reparation service to exports* as the measure of sustainability. The ratio will be between 21% in 2005 to 13% in 2009. In 2010 it jumps to 27% after principal payment is added to the interest payment, which would have started in 2005. The ratio declines to 24% in 2014, (table 10). If 25% is taken as a yardstick over which the burden becomes heavy then debt service seems largely tolerable even without debt reduction; obviously unacceptable conclusion. Now take the *ratio of total obligations (outstanding debt and reparations) to GDP*. For a debt reduction of 0% table (10) indicates a ratio of 758% in 2005 declining gradually to 225% in 2014; although quite large, in both years, yet difficult to compare to a yardstick.

Therefore, both measures fail to fit the Iraqi case. They could be justified for countries passing through 'ordinary' course of development, i.e. have not been exposed to severe structural breaks. For a war-ravaged economy, by themselves these statistics could be misleading. The decline of per capita GDP from US\$1354/person in 1989 to US\$581/person in 2002 (2002 prices, table 9) implies a sharp deterioration in standards of living. Sustainable economic growth, therefore, is to be defined in terms of a reasonable target and growth path, taken together. One can suggest the per capita GDP or GNP of 1989 as a reasonable target to attain at the end of the coming decade (2014).

Sustainability of this growth path can only be assessed directly through investigation of the adequacy of the '*retained*' export proceeds (*after paying for obligations*) to finance needed imports. Needed imports are taken to mean imports for reconstruction (i.e. investment) and consumption necessary to support the targeted path of economic growth. An interesting by-product of our

projections in tables (4-2), (4-3), (7-2), (8-1), (8-2), (8-3), (9) and (10) is to assist in this regard. In these projections the coming decade is divided into a transition period 2004-2009 and an aftermath 2010-2014.

Vital expenditures to see Iraq through 2009 and to 2014 will hinge squarely on its retained oil export proceeds and, therefore, the ability to finance its imports. This will determine its path of economic growth. Therefore, the balance of payments' gap (retained exports revenues - imports) will be of paramount importance. By the same token sustainability measure (of debt service) should concentrate on this gap. *The main question becomes, then, what is the minimum reduction rate in the external debt that equates the BOP gap with the promised external aids?* In order to determine the minimum or critical reduction in external debt, accumulated BOP gap for 2004-2014 (as well as the two sub periods 2004-2009 and 2010-2014) is shown below for four cases of debt reduction, 100%, 80%, 60% and no reduction 0%:

**Accumulated BOP Gap (Retained Oil Revenues – Imports), US\$ Billion**

<i>Debt Reduction Rate</i>	<i>100%</i>	<i>80%</i>	<i>60%</i>	<i>0%</i>
<b>2004-2009</b>	<b>-36.8</b>	<b>-39.3</b>	<b>-41.8</b>	<b>-49.2</b>
<b>2010-2014</b>	<b>15.6</b>	<b>8.0</b>	<b>0.5</b>	<b>-22.2</b>
<b>Total, 2004-2014</b>	<b>-21.2</b>	<b>-31.3</b>	<b>-41.3</b>	<b>-71.4</b>

**Source:** based on parameterisation of the debt reduction rate in tables (8-1) & (8-2) and consequent calculations in table (10). Tables (8-1) & (8-2) show the case of 0% reduction. Table (8-3) shows the other cases (i.e. 60%, 80% and 100% reductions).

Assume first 100% reduction in external debt<sup>19</sup>. This implies that there are neither interest payments during 2005-2009 nor full service in 2010-2014 and beyond. Even though, the accumulated deficit (in the BOP) will amount to US\$ 21.2 Billion in 2004-2014. This total, however, hides the much bigger deficit during the transition period, which is about US\$ 36.8 Billion. The figure is larger than aids pledged in Madrid Conference (US\$33 Billion); that is if all promises are made good. Later on, when oil exports increase, accumulated surplus, during period 2010-2014, could amount to US\$15.6 Billion, assuming US\$ 22/barrel for crude oil, from 2005 onward (admittedly lower than the level reached in 2003 and early 2004 but optimistic by historical trends, the same goes for the level of exports<sup>20</sup>).

On the other end with no reduction in debt the accumulated deficit for the period 2004-2014 amounts to US\$71.4 Billion. Of this figure US\$49.2 Billion will be accumulated during the transition period 2004-2009. This eats up all the aids pledged in Madrid Conference with a remainder in need of new borrowing (US\$16.2 Billion, i.e. 49.2 minus 33). In the year 2010 full service (principal & interest) would commence. After exhausting the promised aids and

<sup>19</sup> In this case the ratio of debt & reparations service to exports becomes 5% only for the whole period 2005-2014.

<sup>20</sup> The increase in exports may by itself depress prices in the international markets.

resorting to new external borrowing in the transition period, Iraq has to resort to further borrowing in the second period, 2010-2014, which would amount to an extra US\$ 22.2 Billion. The new bout of debt would inflate service to more than what is shown in tables (8-1) and (8-2). Service of new debt during 2005-2014 is not included in the calculations of these tables. Consequently, the Iraqi economy will be hostage to repeated borrowing and mounting service for a long time to come. This possible outcome by itself presents a forceful case for debt reduction.

It is suggested (Kaiser and Queck, others) that about 60% or even more could be forgiven. This eventuality will no doubt relieve the situation compared to the no reduction case. However, the burden continues. Under the possibility of 60% reduction the accumulated BOP gap (or deficit)<sup>21</sup> during the period 2004-2009 is expected to amount to US\$ 41.8 Billion swallowing the whole promised aids, with further need for new borrowing.

To keep the accumulated BOP gap (or deficit) equal to the promised aids (US\$33 Billion) the above table indicates that a reduction rate closer to 80% is necessary. Our exact calculations (based on parameterisation of the debt reduction rate in tables 8-1 and 8-2) show a required reduction of 77%. This reduction would result in an accumulated deficit of US\$ 39.7 Billion in the first period 2004-2009 and accumulated surplus of US\$6.7 Billion in the second. In conclusion **77%-80% reduction is the minimum** needed to take into consideration the borrowing in the first period that will be repaid by the surplus of the second period, (including the accrued interest). Furthermore, in addition to this reduction in external debt Iraq, still, needs badly the aids package, promised in Madrid, to materialise. Otherwise the level of external debt and debt service will start to grow right from the beginning, i.e. 2005.

## **VI. Economic and social organisation and institutions**

### ***VI.1 From closed to open economy***

It is now conventional wisdom that market-oriented institutions are more conducive to sustainable economic growth. Economic institution, according to *World Development Report 2002*, is taken to mean a set of established rules, enforcement mechanism and organisation to promote outcomes deemed desirable, such as economic growth. Lack of the 'right' institutions is nowadays considered one of the main causes of slow growth in many underdeveloped countries. The right institutions are, however, scarcely defined precisely. Instead, a set of states is enumerated as desirable outcomes of the right institutions, e.g. established property rights<sup>22</sup>, strong rule of law, independent

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<sup>21</sup> In this case the ratio of debt & reparations service to exports becomes 11% in 2005 to increase to 14% in 2010 then declines to 12% in 2014.

<sup>22</sup> The establishment of transparent and strong property laws has become a fundamental element in the prescription of the set of the 'right' institutions. This emanates from the blurred nature of property laws on the one hand and the prevalence of informal markets, on the other,

judiciary, independent central bank, transparent non-corrupt bureaucracy, competitive environment, etc. In other words the outcomes become the main objective rather than the precise shapes of the institutions. However, it is clear that with established practices in successful cases, associated institutions become the role model to emulate. For instance, adoption of internationally established prudential rules in banking usually motivates implementation of forms, set-ups and practices prevailing in advanced financial centres.

For Iraq, a long-time state-dominated economy, change is now made possible by the collapse of the old order. Old vested interests are weak. New interests have a stake in change. However, for the new institutions to produce the required outcome (faster growth with equitable distribution of income and low incidence of poverty) specific entrenched rules, practices, attitudes and habits have to change, for instance:

- (1) The ingrained loss of initiatives and long-standing dependence of much of the population on the state.
- (2) The rent-seeking behaviour and evasion of laws and taxation on the one hand and aversion to productive work on the other.
- (3) Lack of public accountability and weak private sector and civil society.

What kind of economic institutions the country is going to have, given past dominance of the state in the public and private domains (including the oligarchies in the private sector)?

The shape of the institutions to come is only slowly evolving with measures that have already been taken through regulations promulgated by the CPA. Apart from institutionalising a more independent central bank current regulations aim primarily on liberalisation, e.g.: the opening of the non-oil economy to domestic and foreign capital allowing full ownership of capital (apart from land), the opening due to a license of the banking sector, setting up of a financial market, liberalisation of the exchange system and aiming at more flexible (mainly managed) exchange rate, liberalisation of trade, enshrining in the *Interim Law of the Administration of Iraq* the separation of powers and insuring independence of the judiciary, the protection of property rights, application for WTO membership, etc.

These regulations, however, seem to be measures taken to clear some of the way for a functional economy in the short run. The dismantling of prevailing constraints and distortions need enduring changes taken on a wide front. With political strife such change may be delayed. Political compromises to resolve ongoing impasse will, no doubt, slow the process further. For instance, it is already clear that the privatisation process has been postponed, mainly due to political considerations stemming from the concern of a backlash

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in many growth-lagging countries. Such writers as De Sato thinks formalizing informal property titles can be considered the most important necessary step to level the ground for healthy economic growth. See De Sato (2000).

emanating from possible workers' redundancies. Understandable fears of hasty privatisation also played a part in the delay. Nevertheless, drastic, measured and steady changes are still urgently needed after a sovereign government is in place.

The application for WTO membership on the other hand will speed up harmonisation of domestic institutions and policies with the outside world despite the possibility that accession could be a long way to go. The accession process, complying with WTO rules and membership all lead to harmonisation of a gradually widening set of policies and institutions among member countries<sup>23</sup>. Being an oil producing country would not exclude Iraq from the rules of the WTO as oil and oil products are within these rules (UNCTAD 2000). There are some exceptions and articles that may justify high tariffs on the imports of crude and oil products. But these are exceptions that can be contested by other member countries, the final settlements of which rest with the dispute-settlement panels within the WTO<sup>24</sup>.

All these changes are needed for Iraq to integrate in the global economy, a process that has drawn most countries of the world. However, given its one-sided economy this would only increase its extreme form of specialisation of depending on one group of goods in international trade. Institutions that lead to economic diversification, therefore, have to be pursued by public, private and non-government bodies. Otherwise, as shown in our numerical projections Iraq will continue its rentier nature with all its tried consequences of economic, social and political instability.

## ***VI.2 The rentier culture and requirements of economic diversification***

For the last fifty years or so, economic, social and political structures in Iraq have evolved around the oil wealth. Its appropriation has contributed effectively to the sustainability of undemocratic rule. While it is pertinent for any political system to insure an economy capable of producing a surplus (that can be taxed), the oil wealth relieves of such requirement. Therefore, free oil source has made it easy for the old regimes to rule outside the economy. As a matter of fact throughout the modern history of Iraq the appropriation of the oil wealth supported a pattern of rewards (and punishments) characteristic of rentier behaviour (Batatu, Tripp, Khafaji), which resulted, gradually, in a

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<sup>23</sup> The primary objective of WTO is the liberalisation of trade. This entails two important principles; both are direct result of article *XI* and other articles of the organisation's multilateral agreements:

- The abolition of non-tariff methods of protection and the lowering of levels and dispersion of import tariffs.
- The equal treatment of all members and the non-discrimination between imported and domestic goods and services in the domestic market.

<sup>24</sup> Other agreements and rules within WTO such as TRIPS, investment, services, etc., together with the negotiations conducted during the accession process would enforce conformity to general sets of policies and institutions.

rentier society. The whole society has come to depend increasingly on the rent. During the sanctions' years this feature had become so pronounced that, it is estimated, about 16 million people depended for their existence almost entirely on the oil rent (through the ration system), UN/WB (2003).

After the collapse of the old order there is a danger that this will continue in the future. The ensuing transition period no doubt justifies this dependence, as the country is so lacking in foreign-exchange-generating activities, oil revenues and foreign aids will continue to sustain economic activity for much of the rest of this decade. As long as the society continues with its rentier behaviour a reinforcing mechanism of instability will continue.

The observed influences of rentier behaviour, in resource-based economies, have invited a body of literature that has analysed this phenomenon in the following dimensions, (Isham, Woolcock, Pritchett, Busby):

- (i) The economic system has remained one-sided in most resource-based (rentier) economies. Rentier behaviour induces rent-seeking practices and discourages hard work. In the end growth and development lagged in most one-source economies<sup>25</sup>. The association of rentier environment with the symptoms of Dutch-Disease has rendered the non-oil activities, especially manufacturing, incapable of competing in the outside world. Moreover, the bias of pricing rendered by this effect tends to increase inequality in income distribution.
- (ii) The interaction of social and political modes of organisation has led to weak institutions of civil society and accountability in many rentier states. Socially, the rentier economies have supported growing numbers of state-dependent individuals that are weak on independent initiatives. Politically, financial independence of the state, its ability to mollify dissent and the narrow tax base, have contributed to an environment of weak accountability.<sup>26</sup>

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<sup>25</sup> Statistical and econometric studies have shown abundant evidence of slow growth associated with dependence on one source. For instance, Isham, Woolcock, Pritchett and Busby (2002) stipulate *'we find evidence to support the hypothesis that countries that are abundant (scarce) in point-source natural resources have weaker (stronger) institutional capacities, and that these endogenously determined institutional capacities are significant and large determinants of growth since the oil shock. Specifically three-stage least squares estimates show that: (a) being a point- source economy is associated with having worse institutions (b) having worse institutions translates into a GDP per capita that, 25 years after the oil shock, is almost 33% lower than countries with better institutions'*. However, while this association is well observed no satisfactory mechanism is offered of why a rentier economy has lagged so much in developing good institutions and hence lagged in growth? It is interesting to see a criticism of statistical studies in this respect in DiJohn (2003). Mr. DiJohn states, *"The evidence... suggests that factor endowments do not determine politics"*.

<sup>26</sup>Isam Al-Khafaji lends support to the view that financial independence of the state contributes to the rise of authoritarian rule, *"Two sets of factors intertwined to produce the authoritarian structures of today's Iraq. One set of factors--the enhanced autonomy of the*

As referred to previously our projections (tables 4-2, 4-3, 7-2, 8-1, 8-3) show that oil revenues will dominate the economy in the coming decade as they did in previous ones. Does this mean that continuation of the one-sided economy, with ensuing political instability, inevitable? This outcome may not be inescapable once economic diversification is attained. Diversification is becoming as much an economic necessity as it is social and political. Policy and institutional reforms and changes that the country is going through may be necessary for diversification, but they are not sufficient. Designed structures and long term strategies are needed to effect economic diversification.

Strategies for diversifications are greatly assisted by the following:

- (1) Reform and restructuring of the education system. The interaction of a declining economy, political interference in education and a decade and a half long of near-isolation from the outside world, all resulted in poor standards of education and out-of-date skills for the labour force. As a matter of fact, poor quality of training had long predated the sanctions' years. Overhauling, reform and restructuring of the education and training systems have become, therefore, a prime task of economic and social strategy. This entails medium- and long-term programmes.

The evolution of education in South Korea is a good example for a developing country to even surpass that of many advanced countries<sup>27</sup>. Moreover, linking the education system to economic and industrial activities has fed into vibrant export sectors in that country, in China, recently in India and in most other countries.

- (2) Elimination of the consequences of Rentierism. This requirement divides into two lines: first, instating safeguards against political and social instability, second, reformation of social rentier behaviour.
  - Appropriation of rent had always assisted in the confiscation of political rights in Iraq (Tripp<sup>28</sup>, Khafaji), hence intensifying political and social instability. Therefore, it is incumbent on the new order to circumvent such outcome. In this respect a general solution has, in a way, been alluded to in the *Interim Law of the Administration of Iraq*; that is the equitable distribution of oil revenues among different provinces in the

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*state and its agents thanks to the rise of oil revenues--made the change [from, presumably, constitutional monarchy] feasible, while the second, the crisis of pre-modern social structures [of the monarchy's power base], made it desirable"* see Al-Khafaji (2003). Al Khafaji also thinks the atomisation of society, i.e. lack of viable societal organisation forms to defend groups has helped in the rise of the authoritarian rule.

<sup>27</sup> In the average performance of 15-year-olds in mathematics, science & reading test, conducted periodically for the OECD countries, Japan and South Korea topped the list in 2000 while a country like Germany ended 21<sup>st</sup>. See <http://www.oecd.org/EN/statistics/0,,EN-statistics-4-nodirectorate-no-no--4,00.html>.

<sup>28</sup> As seen by Tripp: through systems of rewards and violent punishments in the case of Iraq oil bounty has enabled strong rulers to sustain undemocratic rule (Tripp, 2000).



country. Although helpful this could prove a generality. Without an elaborate system of checks and balances the feared outcome may still materialise. Furthermore, such a system while necessary may prove insufficient. Iraq will always gravitate between the need for a strong central government to hold the country together and provincial equality in the distribution of oil wealth. In the absence of regional and international agreements to safeguard the integrity of Iraq (this is the sufficient condition) this dilemma will persist and the spectre of instability, will ever be present.

- During the last five decades harder-to-sustain foreign-exchange-earning activities gave way to easy-to-get crude oil proceeds. Moreover, dependence on oil income for such a long time had tended to reduce motives for initiatives and hard work. This had created a vicious circle: easy money leads to complacency which in turn leads to absence of viable non-oil alternatives thus perpetuating dependence on oil. The break of this circle can only be achieved gradually but it has to be decisively. One possible approach is to: (a) reduce the domain of the public sector in economic activity replacing it with the private sector and at the same time creating a vibrant friendly economic environment, (b) with reasonable decentralisation, oil money should be, mainly but not exclusively, directed towards infrastructure, communications, education, health, research and skills upgrading.
- (3) Active involvement of the state in identifying promising sustainable non-oil activities. Although the state is recommended to reduce its domain in direct economic activity, it should, nevertheless, pursue active role in identifying promising (non-oil) foreign-exchange-earning activities. Mainly, the state should encourage and assist in the set-up and financing of such activities. They are to be taken up, management and ownership, by the private sector. This would contribute to the objective of economic diversification. *See also Jalal (2004)*. Notwithstanding inefficiencies and waste that had been associated with the East-Asian government-supported industrial complexes (e.g. the *Chaebols* in South Korea) they had contributed a great deal to growth and development in these countries (WB, 1993).
- (4) Setting-up intergenerational and stabilisation fund, with a double objective. First, to smooth out short-term fluctuations in oil revenues (and other exports), hence avoiding pro-cyclical fiscal policy, secondly to safeguard against misuse and arbitrary appropriation of these revenues. Transparent rules are to be put in place for its management, use of its resources and the earmarking of its portfolio income. Its portfolio is to contain a package of physical and financial investments insuring the highest return with minimal risk.

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**Table (1): Rural Population in Iraq  
Thousand**

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	<b>Total</b>	<b>Rural</b>	<b><i>Rural/Total</i></b>
<b>1947</b>	4807	3179	66.1%
<b>1950</b>	5198	3347	64.4%
<b>1957</b>	6315	3775	59.8%
<b>1965</b>	8047	3936	48.9%
<b>1977</b>	12000	4354	36.3%
<b>1987</b>	16335	4866	29.8%
<b>2002</b>	24820	5479	22.1%

**Sources**

- (1) Annual Abstract of statistics 1994, Central Statistical Organisation
- (2) United Nations Population Division, 1999 Revision.
- (3) © 1999/2002 "populstat" site: Jan Lahmeyer

**Table (2): Iraq: Reparations: Status of Claims Processing**

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16/5/04

Category	By March 19, 2004							By April 2003		Paid Between April 03 and Mar 04 US\$ Million
	<i>No. of claims to be resolved</i>	<b>Compensatio n sought by claims to be resolved</b>	<i>No. of claims resolved</i>	<b>Compensatio n sought by claims resolved</b>	<i>No. of resolved claims awarded compensation</i>	<b>Compensatio n awarded</b>	<b>Paid</b>	<b>Compensatio n awarded</b>	<b>Paid</b>	
	<i>Thousand</i>	<b>US\$ Billion</b>	<i>Thousand</i>	<b>US\$ Million</b>	<i>Thousand</i>	<b>US\$ Million</b>	<b>US\$ Million</b>	<b>US\$ Million</b>	<b>US\$ Million</b>	
<b>Individuals</b>	<b>44.2</b>	<b>13.42</b>	<b>2597.9</b>	<b>19.98</b>	<b>1503.2</b>	<b>10.73</b>	<b>10.21</b>	<b>9.83</b>	<b>9.81</b>	<b>0.40</b>
"A" Individual Claims: Dislocation	0.0	0.00	919.7	3.45	856.2	3.19	3.20	3.20	3.20	0.01
"B" Individual Claims: Injury&Death	0.0	0.00	5.7	0.02	3.9	0.01	0.01	0.01	0.01	0.00
"C" Individual Claims: Loss under US\$ T 100	40.9	2.41	1662.5	8.90	634.4	5.01	5.00	4.99	4.98	0.02
"D" Individual Claims: Loss above US\$ T 100	3.3	11.01	9.9	7.61	8.7	2.51	1.99	1.62	1.62	0.38
<b>Corporations</b>	<b>0.0</b>	<b>0.00</b>	<b>6.1</b>	<b>77.95</b>	<b>3.8</b>	<b>26.2</b>	<b>4.8</b>	<b>25.6</b>	<b>4.6</b>	<b>0.23</b>
"E1" Oil Sector Claims	0.0	0.00	0.1	44.62	0.1	21.52	0.67	21.43	0.66	0.01
"E2" Non-Kuwaiti Corporations: Others	0.0	0.00	2.4	13.66	1.0	0.92	0.81	0.83	0.77	0.04
"E3" Non-Kuwaiti Corporations: Construction & Engineering	0.0	0.00	0.4	8.10	0.2	0.40	0.34	0.36	0.34	0.00
"E4" Kuwaiti Corporations (excl. Oil)3	0.0	0.00	3.2	11.56	2.7	3.37	3.02	2.96	2.85	0.17
<b>Governments &amp; International Organisations</b>	<b>0.0</b>	<b>69.20</b>	<b>0.5</b>	<b>168.06</b>	<b>0.3</b>	<b>11.23</b>	<b>3.15</b>	<b>8.58</b>	<b>3.14</b>	<b>0.01</b>
"E/F" Export Guarantee & insurance	0.0	0.00	0.1	6.12	0.1	0.31	0.18	0.31	0.18	0.00
"F1" Gov. & Int. Org (evacuation Costs)	0.0	0.00	0.1	18.61	0.1	0.29	0.25	0.29	0.24	0.01
"F3" Government of Kuwait (excl. Environment)4	0.0	0.00	0.1	113.90	0.1	8.26	2.15	6.75	2.15	0.00
"F4" Environment & Natural resources	0.0	69.20	0.1	11.86	0.1	2.10	0.32	0.95	0.31	0.00
<b>Total</b>	<b>44.3</b>	<b>82.62</b>	<b>2604.5</b>	<b>265.99</b>	<b>1507.4</b>	<b>48.17</b>	<b>18.20</b>	<b>43.98</b>	<b>17.56</b>	<b>0.64</b>

Source: <http://www.unog.ch/uncc/status.htm>

**Table (3): UN/WB Estimated Reconstruction Needs 2004-2007**  
**US\$ Billion**

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		<b>2004</b>	<b>2005-2007</b>	<b>Total</b>
<b>Oil</b>	CPA	<b>2.00</b>	<b>6.00</b>	<b>8.00</b>
<b>Agriculture and Water resources</b>	WB/UN	<b>1.23</b>	<b>1.80</b>	<b>3.03</b>
<b>Infrastructure</b>	WB/UN	<b>5.84</b>	<b>18.37</b>	<b>24.20</b>
<i>Transport &amp; Communications</i>		<i>1.04</i>	<i>2.37</i>	<b>3.41</b>
<i>Water, sanitation, Solid Waste</i>		<i>1.88</i>	<i>4.96</i>	<b>6.84</b>
<i>Electricity</i>		<i>2.38</i>	<i>9.75</i>	<b>12.12</b>
<i>Urban Management</i>		<i>0.11</i>	<i>0.30</i>	<b>0.41</b>
<i>Housing and Land management</i>		<i>0.43</i>	<i>0.99</i>	<b>1.42</b>
<b>Health education, employment creation</b>	WB/UN	<b>1.88</b>	<b>5.31</b>	<b>7.19</b>
<i>Education, Primary Secondary and Higher</i>		<i>1.01</i>	<i>3.80</i>	<b>4.81</b>
<i>Health education, employment creation</i>		<i>0.50</i>	<i>1.10</i>	<b>1.60</b>
<i>Employment Creation</i>		<i>0.38</i>	<i>0.41</i>	<b>0.79</b>
<b>Security and Police</b>	CPA	<b>5.00</b>		<b>5.00</b>
<b>Private sector development</b>	WB/UN	<b>0.18</b>	<b>0.60</b>	<b>0.78</b>
<i>State Owned enterprises</i>		<i>0.06</i>	<i>0.30</i>	<b>0.36</b>
<i>Financial Sector</i>		<i>0.07</i>	<i>0.01</i>	<b>0.08</b>
<i>Investment Climate</i>		<i>0.04</i>	<i>0.30</i>	<b>0.34</b>
<b>Government Institutions, Civil Society, Rule of Law &amp; Media</b>		<b>0.10</b>	<b>0.29</b>	<b>0.39</b>
<b>Mine Action</b>	WB/UN	<b>0.08</b>	<b>0.15</b>	<b>0.23</b>
<b>Others</b>	CPA	<b>1.24</b>	<b>5.20</b>	<b>6.44</b>
<b>Total</b>		<b>17.54</b>	<b>37.72</b>	<b>55.26</b>

Source: United Nations/World Bank, Joint Iraq Needs Assessment, October 2003, P.

**Table (4-1)**  
**The Budget: 2003-2006**

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	Trillion (10 <sup>12</sup> ) NID				Billion (10 <sup>9</sup> ) US \$			
	2003	2004	2005	2006	2003	2004	2005	2006
<b>Revenues</b>	<b>4.60</b>	<b>19.26</b>	<b>28.78</b>	<b>29.65</b>	<b>3.06</b>	<b>12.84</b>	<b>19.18</b>	<b>19.76</b>
Oil	4.10	18.00	27.75	28.95	2.73	12.00	18.50	19.30
Import Tariffs		0.45	0.53			0.30	0.35	
Income Tax		0.05	0.12	0.24		0.03	0.08	0.16
Profits from SOEs	0.34	0.56	0.14	0.15	0.23	0.38	0.10	0.10
Public Services	0.09	0.10	0.13	0.19	0.06	0.06	0.09	0.12
Other Revenues	0.08	0.11	0.11	0.12	0.05	0.07	0.07	0.08
<b>Expenditures</b>	<b>9.23</b>	<b>20.15</b>	<b>28.76</b>	<b>29.62</b>	<b>6.15</b>	<b>13.43</b>	<b>19.17</b>	<b>19.75</b>
Operating	7.36	19.03	21.12	21.46	4.91	12.68	14.08	14.31
<i>Of Which Salaries</i>	<i>1.47</i>	<i>1.76</i>	<i>1.76</i>	<i>1.76</i>	<i>0.98</i>	<i>1.18</i>	<i>1.18</i>	<i>1.18</i>
Capital	1.87	1.12	7.64	8.15	1.25	0.75	5.09	5.44
<b>Deficit or Surplus</b>	<b>-4.64</b>	<b>-0.89</b>	<b>0.02</b>	<b>0.03</b>	<b>-3.09</b>	<b>-0.59</b>	<b>0.01</b>	<b>0.02</b>
<b>Financing</b>								
Unfrozen Assets in USA & or Seized Assets in Iraq	-4.64	-0.89			-3.09	-0.59		
Rate of Exchange: NIDs for one US \$					1500	1500	1500	1500

Sources: CPA website and CBI's Yearly Bulletin 2003.

\* The 2003 budget covers July-December

**Table (4-2): Projected Capital Formation, US\$ Billion**

	2003	2004	2005	2006	2007	Total
<b>Total</b>	<b>1.25</b>	<b>2.24</b>	<b>8.65</b>	<b>9.78</b>	<b>11.11</b>	<b>31.79</b>
Budget	1.25	0.75	5.09	5.44	5.80	
Private		1.49	3.56	4.35	5.31	
CPA		8.24	3.73	3.73	3.73	<b>19.44</b>
<b>Total</b>		<b>10.48</b>	<b>12.39</b>	<b>13.52</b>	<b>14.84</b>	<b>51.23</b>

Sources: Ministry of Finance and Ministry of Planning: **Budget 2004**.  
United Nations and World Bank: **Joint Iraq Needs Assessment**, October 2003.

WB/UN estimate is  
US\$ 55 Billion

Note: private investment is a guess in this table.

**Table (4-3): Projected Imports' Requirements: 2004-2006, US\$ Billion**

	Budget & CPA Contents			Other Private requirements			Total		
	Consumer Goods	Capital Goods	Total	Consumer Goods	Capital Goods	Total	Consumer Goods	Capital Goods	Total
<b>2004</b>	7.62	5.24	<b>12.86</b>	3.05	0.89	<b>3.94</b>	<b>10.66</b>	<b>6.13</b>	<b>16.80</b>
<b>2005</b>	7.94	6.19	<b>14.14</b>	3.97	2.32	<b>6.29</b>	<b>11.91</b>	<b>8.51</b>	<b>20.42</b>
<b>2006</b>	7.57	6.76	<b>14.33</b>	4.54	2.83	<b>7.37</b>	<b>12.12</b>	<b>9.59</b>	<b>21.70</b>
<b>2007</b>	7.82	7.42	<b>15.24</b>	4.69	3.45	<b>8.14</b>	<b>12.50</b>	<b>10.87</b>	<b>23.38</b>

The calculations:

**The Budget: Consumer Goods (Operating):** content of imports: are based on the detailed items of the operating expenditures in the budget (assuming percentages to imports) .

**Capital Goods :** assuming 50% imports' content of aggregate figures of capital expenditures in the budget.

**The remaining private sector:** (noting that in the operating budget a percentage of imports is consequent on the employees' consumer demand) percentages of the consumer and capital imports in the budget's imports are assumed in order to guess the imports of 'other private sector'.

**Table (5-1): Iraq: Gross Domestic Product by Sectors**  
Current Prices, Million \$

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	Actual							Estimates by ESCWA (excl C. Oil)					2003
	1989	1991	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	
Agriculture	1673.1	604.7	614.4	663.8	750.2	941.9	828.7	843.7	788.3	838.9	871.7	906.9	736
Mining & Quarrying	10930.1	581.3	650.8	647.3	684.7	740.0	4038.0	5101.5	11309.5	16504.5	11123.3	11075.8	7827
Manufacturing	1347.1	127.4	108.3	50.4	52.3	52.4	62.8	92.1	123.8	175.5	238.7	313.5	263
Electricity, Gas and Water	134.5	16.2	6.2	2.3	1.5	7.0	5.9	11.5	14.0	19.3	24.0	28.4	50
Construction	708.5	81.2	105.7	20.8	16.2	10.6	6.1	12.0	24.9	55.9	88.4	142.2	164
Wholesale and Retail Trade	1188.2	360.8	483.7	427.8	121.6	543.7	444.5	443.6	418.2	452.9	474.1	498.2	401
Transport Storage and Communications	766.7	264.6	259.0	233.1	308.1	439.6	546.8	542.4	505.1	534.1	560.3	582.8	469
Finance and insurance	801.0	203.9	67.9	27.1	22.9	59.8	56.2	83.9	94.7	122.4	147.2	152.2	123
Real estates and Business Services	391.4	111.1	142.1	39.8	24.1	62.5	93.6	107.9	110.2	128.1	144.0	154.4	154
Community social and personal Services	1952.1	533.6	174.0	97.7	69.8	120.7	91.8	114.5	120.1	145.1	166.8	178.4	978
<b>Total Industries</b>	<b>19893</b>	<b>2885</b>	<b>2612</b>	<b>2210</b>	<b>2051</b>	<b>2978</b>	<b>6174</b>	<b>7353</b>	<b>13509</b>	<b>18977</b>	<b>13838</b>	<b>14033</b>	<b>11164.9</b>
<i>Crude Oil</i>	<i>10930</i>	<i>581</i>	<i>651</i>	<i>647</i>	<i>685</i>	<i>740</i>	<i>4038</i>	<i>5102</i>	<i>11310</i>	<i>16505</i>	<i>11123</i>	<i>11076</i>	<i>7827</i>
<i>Non-Oil</i>	<i>8962</i>	<i>2304</i>	<i>1961</i>	<i>1563</i>	<i>1367</i>	<i>2238</i>	<i>2136</i>	<i>2252</i>	<i>2199</i>	<i>2472</i>	<i>2715</i>	<i>2957</i>	<i>3338</i>
Rate of Exchange (ID for one US\$)													
<i>Official</i>	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	
<i>Market</i>	2	10	74	458	1674	1170	1471	1620	1972	1930	1929	1957	1936

Sources: National Accounts, Except for oil : (1) Central Statistical Organisation, Annual Abstract of Statistics 1994, Republic of Iraq,

(2) Studies on National Accounts in the ESCWA Region, ESCWA, November 2001

Crude Oil: Estimated on the basis of crude petroleum exports and prices.

Market Rate of Exchange : Table (6).

Note: for the period 1996-2002 the value added of all sectors (apart from the crude oil) is converted from the ID measure to US\$ using the market rate of exchange.

**Table (5-2): Gross Domestic Product by Sectors**  
2002 Prices, Million \$

	Actual							Estimates by ESCWA					2003
	1989	1991	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	
Agriculture	736.0	600.7	723.4	924.9	1099.1	889.4	749.9	798.4	816.6	853.8	882.9	906.9	635
Mining & Quarrying	16637.4	808.2	1063.5	1112.3	1083.7	973.2	5768.3	10801.7	15783.6	15041.6	12672.3	11075.8	6747
Manufacturing	246.4	129.2	138.2	76.9	84.2	54.2	62.6	90.5	130.7	181.4	244.0	313.5	219
Electricity, Gas and Water	5.3	2.3	7.4	3.2	2.3	6.7	5.4	11.0	14.7	19.8	24.5	28.4	20
Construction	525.0	109.1	125.9	29.5	24.2	10.1	5.6	11.6	26.1	57.5	90.0	142.2	142
Wholesale and Retail Trade	1855.8	323.5	567.7	593.6	179.4	511.4	408.9	424.3	438.6	464.8	481.9	498.2	349
Transport Storage and Communications	440.3	239.2	306.6	329.6	460.2	421.4	505.9	521.9	530.6	549.0	570.2	582.8	408
Finance and insurance	460.5	191.8	80.5	38.3	34.2	57.3	52.0	80.7	99.5	125.8	149.8	152.2	107
Real estates and Business Services	59.6	27.4	170.8	56.8	36.1	60.0	86.6	103.9	115.7	131.7	146.5	154.4	134
Community social and personal Services	3091.1	484.9	207.0	138.2	104.3	115.7	84.9	110.2	126.1	149.1	169.7	178.4	752
<b>Total Industries</b>	<b>24058</b>	<b>2916</b>	<b>3391</b>	<b>3303</b>	<b>3108</b>	<b>3099</b>	<b>7730</b>	<b>12954</b>	<b>18082</b>	<b>17575</b>	<b>15432</b>	<b>14033</b>	<b>9513</b>
<i>Crude Oil</i>	<i>16637</i>	<i>808</i>	<i>1063</i>	<i>1112</i>	<i>1084</i>	<i>973</i>	<i>5768</i>	<i>10802</i>	<i>15784</i>	<i>15042</i>	<i>12672</i>	<i>11076</i>	<i>6747</i>
<i>Non-Oil</i>	<i>7420</i>	<i>2108</i>	<i>2328</i>	<i>2191</i>	<i>2024</i>	<i>2126</i>	<i>1962</i>	<i>2153</i>	<i>2299</i>	<i>2533</i>	<i>2759</i>	<i>2957</i>	<i>2766</i>

Sources: Except for oil, Central Statistical Organisation, Annual Abstract of Statistics 1994, Republic of Iraq and Studies on National Accounts in the ESCWA Region, ESCWA, November 2001.

Crude Oil: Estimated on the basis of crude petroleum exports and prices.

Crude Oil Prices, US\$/bbl	15.00	16.42	13.97	13.28	14.42	17.36	15.98	10.78	16.36	25.05	20.04	22.83	26.48
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**Table (5-3): Deflators of Gross Domestic Product by Sectors**  
2002=100

	Actual							Estimates by ESCWA					2003
	1989	1991	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	
Agriculture	227.3	100.7	84.9	71.8	68.3	105.9	110.5	105.7	96.5	98.3	98.7	100.0	108
Mining & Quarrying	65.7	71.9	61.2	58.2	63.2	76.0	70.0	47.2	71.7	109.7	87.8	100.0	116.0
Manufacturing	546.6	98.6	78.3	65.6	62.1	96.7	100.3	101.8	94.7	96.7	97.8	100.0	100
Electricity, Gas and Water	2527.5	707.6	83.6	70.7	66.9	104.2	108.0	103.9	95.2	97.3	98.2	100.0	100
Construction	134.9	74.5	84.0	70.6	66.9	104.2	108.0	103.9	95.2	97.3	98.2	100.0	109
Wholesale and Retail Trade	64.0	111.5	85.2	72.1	67.8	106.3	108.7	104.5	95.3	97.4	98.4	100.0	109
Transport Storage and Communications	174.1	110.6	84.5	70.7	67.0	104.3	108.1	103.9	95.2	97.3	98.3	100.0	109
Finance and insurance	173.9	106.3	84.3	70.7	67.0	104.3	108.1	103.9	95.2	97.3	98.3	100.0	109
Real estates and Business Services	656.2	406.3	83.2	70.2	66.9	104.2	108.0	103.9	95.2	97.3	98.2	100.0	109
Community social and personal Services	63.2	110.0	84.1	70.7	67.0	104.3	108.1	103.9	95.2	97.3	98.3	100.0	125
<b>Total Industries</b>	<b>82.7</b>	<b>98.9</b>	<b>77.0</b>	<b>66.9</b>	<b>66.0</b>	<b>96.1</b>	<b>79.9</b>	<b>56.8</b>	<b>74.7</b>	<b>108.0</b>	<b>89.7</b>	<b>100.0</b>	<b>117.4</b>
<i>Crude Oil</i>	<i>65.7</i>	<i>71.9</i>	<i>61.2</i>	<i>58.2</i>	<i>63.2</i>	<i>76.0</i>	<i>70.0</i>	<i>47.2</i>	<i>71.7</i>	<i>109.7</i>	<i>87.8</i>	<i>100.0</i>	<i>116.0</i>
<i>Non-Oil</i>	<i>120.8</i>	<i>109.3</i>	<i>84.3</i>	<i>71.3</i>	<i>67.5</i>	<i>105.3</i>	<i>108.9</i>	<i>104.6</i>	<i>95.7</i>	<i>97.6</i>	<i>98.4</i>	<i>100.0</i>	<i>120.7</i>

Sources: Derived from tables (5-1) and (5-2).



**Table (6): Inflation and Market Rate of Exchange**

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	Consumer Price Index		Rate of Exchange	
	1988=100	Annual Rate of Change, %	Iraqi Dinars for one US\$	Annual Rate of Change, %
<b>1990</b>	161		4	
<b>1991</b>	462	187.0	10	150.0
<b>1992</b>	849	83.8	21	110.0
<b>1993</b>	2611	207.5	74	252.4
<b>1994</b>	15462	492.2	458	518.9
<b>1995</b>	69729	351.0	1674	265.5
<b>1996</b>	59021	-15.4	1170	-30.1
<b>1997</b>	72610	23.0	1471	25.7
<b>1998</b>	83335	14.8	1620	10.1
<b>1999</b>	93816	12.6	1972	21.7
<b>2000</b>	98486	5.0	1930	-2.1
<b>2001</b>	114613	16.4	1929	-0.1
<b>2002</b>	136762	19.3	1957	1.5
<b>2003</b>	<i>174161</i>	27.3	1936	-1.1
<b>1990-1995</b>		236.8		234.5
<b>1995-2002</b>		10.1		2.3

**Source:** Central Bank of Iraq:  
**Statistical Bulletin (Special Issue), 1991-June 2003, 2003,**  
**Yearly Bulletin 2003, 2003.**

**Table (7-1): Iraq: Projection of Gross Domestic Product by Sectors  
Current Prices, Million \$**

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	1989	2002	2003	Projection										
				2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture	1673	907	736	826	994	1230	1563	1818	2089	2369	2652	2931	3239	3580
Mining & Quarrying	10930	11076	7827	12789	13812	17209	20607	23734	27193	29896	32127	33818	34561	34914
Manufacturing	1347	313	263	304	382	497	670	818	981	1153	1331	1507	1707	1933
Electricity, Gas and Water	135	28	50	57	72	93	124	144	165	187	210	232	256	283
Construction	709	142	164	3143	3716	4055	4453	5215	5640	6012	6409	6767	7214	7616
Wholesale and Retail Trade	1188	498	401	474	645	869	1166	1353	1537	1727	1919	2108	2315	2543
Transport Storage and Communications	767	583	469	555	755	1017	1364	1583	1798	2020	2244	2465	2708	2975
Finance and insurance	801	152	123	145	197	266	356	413	470	528	586	644	707	777
Real estates and Business Services	391	154	154	175	247	356	484	561	594	623	651	675	699	725
Community social and personal Services	1952	178	978	1175	1213	1251	1189	1129	1073	1127	1183	1242	1304	1369
<b>Total Industries</b>	<b>19893</b>	<b>14033</b>	<b>11164.9</b>	<b>19642.6</b>	<b>22033.9</b>	<b>26842.5</b>	<b>31977.4</b>	<b>36769.3</b>	<b>41538.7</b>	<b>45643.0</b>	<b>49311.6</b>	<b>52388.0</b>	<b>54710.9</b>	<b>56714.7</b>
<i>Crude Oil</i>	<i>10930</i>	<i>11076</i>	<i>7827</i>	<i>12789</i>	<i>13812</i>	<i>17209</i>	<i>20607</i>	<i>23734</i>	<i>27193</i>	<i>29896</i>	<i>32127</i>	<i>33818</i>	<i>34561</i>	<i>34914</i>
<i>Non-Oil</i>	<i>8962</i>	<i>2957</i>	<i>3338</i>	<i>6854</i>	<i>8222</i>	<i>9634</i>	<i>11370</i>	<i>13035</i>	<i>14346</i>	<i>15747</i>	<i>17184</i>	<i>18570</i>	<i>20150</i>	<i>21801</i>
Rate of Exchange (ID for one US\$)														
<i>Official</i>	0.31	0.31												
<i>Market/Official</i>	2	1957	1936	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500

**Table (7-2): Projection of Gross Domestic Product by Sectors  
2002 Prices, Million \$**

	1989	2002	2003	Projection										
				2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture	736	907	635	708	812	956	1157	1283	1403	1515	1616	1701	1790	1885
Mining & Quarrying	16637	11076	6747	11506	12427	17854	21380	24624	28212	31018	33332	35086	35857	36223
Manufacturing	246	313	219	253	303	375	482	561	640	717	788	850	917	989
Electricity, Gas and Water	5	28	20	23	27	33	42	46	51	55	58	61	65	68
Construction	525	142	142	2645	2502	2417	2537	2664	2744	2827	2911	2999	3089	3181
Wholesale and Retail Trade	1856	498	349	399	472	578	732	801	867	928	981	1027	1074	1124
Transport Storage and Communications	440	583	408	467	553	676	856	937	1014	1085	1148	1201	1257	1315
Finance and insurance	461	152	107	122	144	177	224	245	265	283	300	314	328	343
Real estates and Business Services	60	154	134	148	166	192	227	239	250	260	269	276	283	291
Community social and personal Services	3091	178	752	752	706	693	638	588	541	550	578	596	615	635
<b>Total Industries</b>	<b>24058</b>	<b>14033</b>	<b>9513</b>	<b>17023</b>	<b>18112</b>	<b>23952</b>	<b>28276</b>	<b>31988</b>	<b>35988</b>	<b>39238</b>	<b>41982</b>	<b>44111</b>	<b>45275</b>	<b>46053</b>
<i>Crude Oil</i>	<i>16637</i>	<i>11076</i>	<i>6747</i>	<i>11506</i>	<i>12427</i>	<i>17854</i>	<i>21380</i>	<i>24624</i>	<i>28212</i>	<i>31018</i>	<i>33332</i>	<i>35086</i>	<i>35857</i>	<i>36223</i>
<i>Non-Oil</i>	<i>7420</i>	<i>2957</i>	<i>2766</i>	<i>5517</i>	<i>5685</i>	<i>6098</i>	<i>6896</i>	<i>7364</i>	<i>7775</i>	<i>8220</i>	<i>8650</i>	<i>9025</i>	<i>9418</i>	<i>9830</i>

**Table (7-3): Annual Rates of Growth, %**

	1989/2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2002-2009	2009-2014
Agriculture	1.6	-30.0	11.5	14.6	17.8	21.1	10.8	9.4	8.0	6.6	5.3	5.3	5.3	6.4	6.1
Mining & Quarrying	-3.1	-39.1	70.5	8.0	43.7	19.7	15.2	14.6	9.9	7.5	5.3	2.2	1.0	14.3	5.1
Manufacturing	1.9	-30.0	15.4	19.6	24.0	28.5	16.3	14.1	12.0	9.9	7.8	7.8	7.8	10.7	9.1
Electricity, Gas and Water	13.7	-30.0	14.4	18.4	22.4	26.6	10.8	9.4	8.0	6.6	5.3	5.3	5.3	8.6	6.1
Construction	-9.6	0.0	1760.1	-5.4	-3.4	5.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	52.6	3.0
Wholesale and Retail Trade	-9.6	-30.0	14.4	18.4	22.4	26.6	9.4	8.2	7.0	5.8	4.6	4.6	4.6	8.2	5.3
Transport Storage and Communications	2.2	-30.0	14.4	18.4	22.4	26.6	9.4	8.2	7.0	5.8	4.6	4.6	4.6	8.2	5.3
Finance and insurance	-8.2	-30.0	14.4	18.4	22.4	26.6	9.4	8.2	7.0	5.8	4.6	4.6	4.6	8.2	5.3
Real estates and Business Services	7.6	-13.0	10.0	12.7	15.4	18.2	5.4	4.7	4.0	3.3	2.6	2.6	2.6	7.1	3.1
Community social and personal Services	-19.7	321.6	0.0	-6.2	-1.7	-7.9	-7.9	-7.9	1.7	5.0	3.2	3.2	3.2	17.2	3.3
<b>Total Industries</b>	<b>-4.1</b>	<b>-32.2</b>	<b>78.9</b>	<b>6.4</b>	<b>32.2</b>	<b>18.1</b>	<b>13.1</b>	<b>12.5</b>	<b>9.0</b>	<b>7.0</b>	<b>5.1</b>	<b>2.6</b>	<b>1.7</b>	<b>14.4</b>	<b>5.1</b>
<i>Crude Oil</i>	<i>-3.1</i>	<i>-39.1</i>	<i>70.5</i>	<i>8.0</i>	<i>43.7</i>	<i>19.7</i>	<i>15.2</i>	<i>14.6</i>	<i>9.9</i>	<i>7.5</i>	<i>5.3</i>	<i>2.2</i>	<i>1.0</i>	<i>14.3</i>	<i>5.1</i>
<i>Non-Oil</i>	<i>-6.8</i>	<i>-6.5</i>	<i>99.4</i>	<i>3.0</i>	<i>7.3</i>	<i>13.1</i>	<i>6.8</i>	<i>5.6</i>	<i>5.7</i>	<i>5.2</i>	<i>4.3</i>	<i>4.4</i>	<i>4.4</i>	<i>14.8</i>	<i>4.8</i>

**Table (7-4): Deflators of Gross Domestic Product by Sectors  
2002=100**

	2002	2003	Projection										
			2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture	100.0	108	117	122	129	135	142	149	156	164	172	181	190
Mining & Quarrying	100.0	116.0	111.1	111.1	96.4	96.4	96.4	96.4	96.4	96.4	96.4	96.4	96.4
Manufacturing	100.0	100	100	105	110	116	122	128	134	141	148	155	163
Electricity, Gas and Water	100.0	100	100	108	113	119	124	131	137	144	151	159	167
Construction	100.0	109	119	149	168	183	196	206	213	220	226	234	239
Wholesale and Retail Trade	100.0	109	119	137	150	159	169	177	186	195	205	216	226
Transport Storage and Communications	100.0	109	119	137	150	159	169	177	186	195	205	216	226
Finance and insurance	100.0	109	119	137	150	159	169	177	186	195	205	216	226
Real estates and Business Services	100.0	109	119	149	186	213	235	237	240	242	244	247	249
Community social and personal Services	100.0	125	156	172	180	186	192	198	205	211	218	225	232
<b>Total Industries</b>	<b>100.0</b>	<b>117.4</b>	<b>115.4</b>	<b>121.7</b>	<b>112.1</b>	<b>113.1</b>	<b>114.9</b>	<b>115.4</b>	<b>116.3</b>	<b>117.5</b>	<b>118.8</b>	<b>120.8</b>	<b>123.2</b>
<i>Crude Oil</i>	100.0	116.0	111.1	111.1	96.4	96.4	96.4	96.4	96.4	96.4	96.4	96.4	96.4
<i>Non-Oil</i>	100.0	120.7	124.2	144.6	158.0	164.9	177.0	184.5	191.6	198.7	205.8	214.0	221.8
Crude Oil Prices, US\$/bbl	22.83	26.48	25.37	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00

**Table (8-1)**  
**I R A Q: Crude Oil Exports and Obligations**  
**Debt Reduction 0%**

**Debt Service: 2005-2009 interest only, 2010 onward: full service**

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	Oil Products (M. b/d)			Crude Oil (M. b/d)		Export Price (6) US \$/bbl	Revenues from C.Oil Exports (4) × (6) Billion \$	Obligations				Reparation S (+UN cost before April 2003) (12) Billion \$	Debt Service (13) Billion \$	Total (11)+(12)+(13) (14) Billion \$	Retained C. Oil Revenues (7)-(14) (15) Billion \$	Imports 1996-2002 OPECASB2002 (16) Billion \$	BOP Gap (Retained C. Oil Revenues - Imports) (17) Billion \$	Resident Population (18) Million	Per Capita Retained C. Oil Revenues (15)/(16) \$/Person/Year	Per Capita Imports (18) \$/Person/Year	GDP, Billion US\$				Imports/GDP (current) %	
	Output (1)	Exports (2)	Domestic Consumption (of C. oil) (3)	Exports (4)	Production (5)			Operating Costs (8) Billion \$	Dues & Transit Costs (9) Billion \$	Investment (New & Replacement) (10) Billion \$	Total (8)+(9)+(10) (11) Billion \$										Current Prices Total (19) Billion \$	Non-Oil (20) Billion \$	2002 Prices Total (21) Billion \$	Non-Oil (22) Billion \$		
																										Current Prices
																					Total	Non-Oil	Total	Non-Oil		
1996	0.44	0.02	0.44	0.1	0.7	17.4	0.56	0.54	0.00	0.00	0.54	0.16	0.00	0.70	-0.14	1.75	-1.89	20.6	-7	85	2.98	2.24	3.10	2.13	58.7	
1997	0.44	0.02	0.44	0.7	1.4	16.0	4.35	1.01	0.00	0.00	1.01	1.23	0.00	2.24	2.11	3.34	-1.23	21.2	100	158	6.17	2.14	7.73	1.96	54.1	
1998	0.46	0.02	0.45	1.4	2.2	10.8	5.58	1.59	0.15	0.00	1.74	1.54	0.00	3.28	2.30	4.79	-2.49	21.8	106	220	7.35	2.25	12.95	2.15	65.1	
1999	0.44	0.02	0.45	2.1	2.7	16.4	12.72	1.99	0.41	0.00	2.40	3.48	0.00	5.88	6.84	8.26	-1.42	22.3	306	370	13.51	2.20	18.08	2.30	61.2	
2000	0.49	0.02	0.50	2.0	2.8	25.0	18.70	2.06	0.38	0.00	2.44	5.18	0.00	7.62	11.08	13.38	-2.31	23.0	483	583	18.98	2.47	17.57	2.53	70.5	
2001	0.53	0.03	0.54	1.7	2.6	20.0	12.51	1.89	0.26	0.00	2.15	3.47	0.00	5.62	6.89	13.20	-6.31	23.6	292	559	13.84	2.72	15.43	2.76	95.4	
2002	0.52	0.02	0.55	1.5	2.1	22.8	12.45	1.55	0.18	0.00	1.73	3.47	0.00	5.21	7.25	9.61	-2.36	24.2	300	398	14.03	2.96	14.03	2.96	68.5	
2003			0.42	0.9	1.3	26.5	8.71	0.97	0.01	0.70	1.68	1.40	0.00	3.08	5.63			24.9	226		11.16	3.34	9.51	2.77		
1/1 - 30/4			0.34	1.3	1.6	27.3	4.16	0.39	0.00	0.00	0.39	1.18	0.00	1.56	2.60			24.9	104							
1/5 - 31/12			0.46	0.7	1.2	25.9	4.55	0.58	0.01	0.70	1.29	0.23	0.00	1.51	3.04			24.9	122							
2004			0.61	1.6	2.2	25.4	14.42	1.58	0.20	1.12	2.91	0.71	0.00	3.62	10.81	16.80	-5.99	25.7	421	654	19.64	6.85	17.02	5.52	85.5	
2005			0.63	1.9	2.6	22.0	15.59	1.88	0.31	1.40	3.58	0.76	2.48	6.83	8.76	20.42	-11.66	26.9	326	760	22.03	8.22	18.11	5.69	92.7	
2006			0.65	2.4	3.1	22.0	19.49	2.25	0.37	1.44	4.06	0.96	2.48	7.49	11.99	21.70	-9.71	28.0	429	776	26.84	9.63	23.95	6.10	80.9	
2007			0.68	2.9	3.6	22.0	23.39	2.62	0.55	1.47	4.64	1.14	2.48	8.27	15.12	23.38	-8.26	29.0	522	807	31.98	11.37	28.28	6.90	73.1	
2008			0.71	3.3	4.1	22.0	26.97	2.97	0.71	1.51	5.19	1.31	2.48	8.98	17.98	25.74	-7.75	29.9	601	861	36.77	13.03	31.99	7.36	70.0	
2009			0.75	3.9	4.6	22.0	30.93	3.36	0.89	1.54	5.79	1.50	2.48	9.78	21.15	27.00	-5.85	30.7	688	878	41.54	14.35	35.99	7.78	65.0	
2010			0.79	4.2	5.0	22.0	34.02	3.67	1.04	1.58	6.28	1.65	7.56	15.49	18.53	27.39	-8.85	31.5	589	870	45.64	15.75	39.24	8.22	60.0	
2011			0.82	4.6	5.4	22.0	36.57	3.92	1.15	1.61	6.68	1.77	7.56	16.01	20.56	27.12	-6.56	32.2	638	841	49.31	17.18	41.98	8.65	55.0	
2012			0.84	4.8	5.6	22.0	38.51	4.12	1.23	1.65	7.00	1.86	7.56	16.42	22.09	26.19	-4.11	33.0	669	794	52.39	18.57	44.11	9.02	50.0	
2013			0.87	4.9	5.8	22.0	39.36	4.21	1.28	1.68	7.17	1.90	7.56	16.63	22.73	25.17	-2.44	33.8	672	745	54.71	20.15	45.27	9.42	46.0	
2014			0.90	5.0	5.8	22.0	39.75	4.27	1.30	0.86	6.42	1.92	7.56	15.90	23.85	24.10	-0.25	34.6	689	696	56.71	21.80	46.05	9.83	42.5	

**Sources:**

- (1) Tables (5-1), (7-1) and (8-2).
- (2) OPEC Annual Statistical Bulletin 2002, note that differences between OpecASB 2001 and OPECASB 2002 are sometimes very high for the same year, e.g. consumption of refined products.
- (3) OPEC: Monthly Market Reviews, January - December 2003 & January-April 2004.
- (4) EIA web site, March 13, 2004.
- (5) CPA web site

**Notes:**

- (1) Average ordinary Iraqi crude usually sells for US \$ 1.2 -2 bbl less than Brent crude.
- (2) The details of debt and debt service are spelt in the background table (8-2).  
 (3) It is assumed that the operating costs make US\$ 2 a barrel. Dues are paid for oil exported through Syria or Turkey (assumed here US\$ 0.75 a barrel), but not for oil exported through the Gulf. Thus the first 1.4 Million bbl/day (the Gulf terminals capacity) do not bear dues.
- (4) Over the ten years from 2004 Iraq is expected to spend US\$ billion 14 on new investment, i.e. US\$ Billion 1.4 annually. Moreover, replacement investment makes 2.5% of existing stocks.
- (5) The reparation percentage (of gross oil exports proceeds-transit dues) over the years is as

	As Percentage of Gross oil Revenues	
	1996-Apr 2003	May 2003 -*
Reparations	25.0%	5.0%
Management cost (UN)	2.5%	
Inspection (or UN Representative) cost	0.8%	
	<b>28.3%</b>	<b>5.0%</b>

\* UN Resolution 1483

According to the UNCC's web site, total paid war reparations amounted to US\$ 18.2 Billion, up to Mid-March 2004. In the above table the sum of the column entitled Reparations (+...), for 1996-Mid March 2004, amounts to about US\$ 20.1 Billion. Subtract from this US\$ 2.3 Billion representing the 3.8% UN management and inspection costs (for 1996-March 2003) and add about US\$ 0.4 Billion paid for reparations during the period 1991-1995 and the sum will become US\$ 18.2 Million.

**Table (8-2)**  
**Outstanding Debt and Debt Service**  
**I. Outstanding Debt**

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Million US Dollars				
Outstanding Debt 1991		Outstanding Debt 2004		
			Before Reduction	After Reduction
<i>Non Interest Bearing</i>	40,000	<i>Non Interest Bearing</i>	40,000	40,000
<i>Other</i>	60,000	<i>Other, P</i>	82,711	82,711
<b>Total</b>	<b>100,000</b>	<b>Total</b>	<b>122,711</b>	<b>122,711</b>
		<i>Reduction Rate</i>		<b>0.0%</b>
		<i>1991-2004</i>	<i>2005-2029</i>	
<i>Interest Rate, i</i>		2.5%	3.0%	
<i>Repayment Period, Years, T</i>			20	
<i>Grace Period, Years, G</i>			6	
<b>Annual Debt Service, Million US Dollars</b>			Before Reduction	After Reduction
<b>i.</b>	From year <b>2005</b> to <b>2009</b>	<i>Interest Only</i>	<b>2,481</b>	<b>2,481</b>
<b>ii.</b>	From year <b>2011</b> :			
	<i>ii.1 Non-Interest Bearing Debt, Principal Only</i>		2,000	2,000
	<i>ii.2. Other Debt: Annuity (Principal and Interest), A:</i>		5,559	5,559
	$A = \frac{i(1+i)^T}{(1+i)^T - 1} P$		<b>7,559</b>	<b>7,559</b>

Note: for available estimates of outstanding debt see table (11).

**II. Debt Service After Reduction**

Million US Dollars

	Non-Interest-Bearing Debt		O T H E R D E B T				TOTAL Debt Service  (2) + (6) (7)
	Outstanding Debt,  (1)	Principal Payments  (2)	Outstanding Debt, P(t)  (3)	Debt Service			
				Interest Payments, i*P(t-1)  (4)	Principal Payments  (6) - (4) (5)	Total (Annuity)  (6)	
<b>2000</b>	40000		74931.8				
<b>2001</b>	40000		76805.1				
<b>2002</b>	40000		78725.2				
<b>2003</b>	40000		80693.3				
<b>2004</b>	40000	0	82710.7	0.0	0.0	0.0	0.0
<b>2005</b>	40000	0	82710.7	2481.3	0.0	2481.3	2481.3
<b>2006</b>	40000	0	82710.7	2481.3	0.0	2481.3	2481.3
<b>2007</b>	40000	0	82710.7	2481.3	0.0	2481.3	2481.3
<b>2008</b>	40000	0	82710.7	2481.3	0.0	2481.3	2481.3
<b>2009</b>	40000	0	82710.7	2481.3	0.0	2481.3	2481.3
<b>2010</b>	38000	2000	79632.5	2481.3	3078.1	5559.5	7559.5
<b>2011</b>	36000	2000	76462.0	2389.0	3170.5	5559.5	7559.5
<b>2012</b>	34000	2000	73196.5	2293.9	3265.6	5559.5	7559.5
<b>2013</b>	32000	2000	69832.9	2195.9	3363.6	5559.5	7559.5
<b>2014</b>	30000	2000	66368.4	2095.0	3464.5	5559.5	7559.5
<b>2015</b>	28000	2000	62800.0	1991.1	3568.4	5559.5	7559.5
<b>2016</b>	26000	2000	59124.6	1884.0	3675.5	5559.5	7559.5
<b>2017</b>	24000	2000	55338.8	1773.7	3785.7	5559.5	7559.5
<b>2018</b>	22000	2000	51439.6	1660.2	3899.3	5559.5	7559.5
<b>2019</b>	20000	2000	47423.3	1543.2	4016.3	5559.5	7559.5
<b>2020</b>	18000	2000	43286.5	1422.7	4136.8	5559.5	7559.5
<b>2021</b>	16000	2000	39025.7	1298.6	4260.9	5559.5	7559.5
<b>2022</b>	14000	2000	34637.0	1170.8	4388.7	5559.5	7559.5
<b>2023</b>	12000	2000	30116.6	1039.1	4520.3	5559.5	7559.5
<b>2024</b>	10000	2000	25460.7	903.5	4656.0	5559.5	7559.5
<b>2025</b>	8000	2000	20665.0	763.8	4795.6	5559.5	7559.5
<b>2026</b>	6000	2000	15725.5	620.0	4939.5	5559.5	7559.5
<b>2027</b>	4000	2000	10637.9	471.8	5087.7	5559.5	7559.5
<b>2028</b>	2000	2000	5397.5	319.1	5240.3	5559.5	7559.5
<b>2029</b>	0	2000	0.0	161.9	5397.5	5559.5	7559.5

**Table (8-3)**  
**I R A Q: Crude Oil Exports and Obligations**  
**Debt Reduction Rates 60%, 80% and 100%**

**Debt Service: 2005-2009 interest only, 2010 onward: full service**

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Year	Oil Products (M. b/d)			Crude Oil (M. b/d)		Export Price (6) US \$/bbl	Revenues from C.Oil Exports (4) × (6) (7) Billion \$	Obligations						Retained C. Oil Revenues (7) - (14) (15) Billion \$	Imports Billion \$	BOP Gap (Retained C. Oil Revenues - Imports) Billion \$	Resident Population (16) Million	Per Capita Retained C. Oil Revenues (15)/(16) \$/Person/Year	Per Capita Imports (18) \$/Person/Year	GDP, Billion US\$				Imports/GDP (current) %	
	Output (1)	Exports (2)	Domestic Consumption (of C. oil) (3)	Exports (4)	Production (5)			C o s t s				Reparations (12) Billion \$	Debt Service (13) Billion \$							Total (11) = (8)+(9)+(10) (14) Billion \$	Current Prices		2002 Prices		
								Operating Costs (8) Billion \$	Dues & Transit Costs (9) Billion \$	Investment (New & Replacement) (10) Billion \$	Total (11) Billion \$										Total	Non-Oil	Total		Non-Oil
	<b>External Debt Reduction Rate 60.0%</b>																								
2004			0.61	1.6	2.2	25.4	14.42	1.58	0.20	1.12	2.91	0.71	0.00	3.62	10.81	16.80	-5.99	25.7	421	654	19.64	6.85	17.02	5.52	85.5
2005			0.63	1.9	2.6	22.0	15.59	1.88	0.31	1.40	3.58	0.76	0.99	5.34	10.25	20.42	-10.17	26.9	381	760	22.03	8.22	18.11	5.69	92.7
2006			0.65	2.4	3.1	22.0	19.49	2.25	0.37	1.44	4.06	0.96	0.99	6.01	13.48	21.70	-8.22	28.0	482	776	26.84	9.63	23.95	6.10	80.9
2007			0.68	2.9	3.6	22.0	23.39	2.62	0.55	1.47	4.64	1.14	0.99	6.78	16.61	23.38	-6.77	29.0	573	807	31.98	11.37	28.28	6.90	73.1
2008			0.71	3.3	4.1	22.0	26.97	2.97	0.71	1.51	5.19	1.31	0.99	7.49	19.47	25.74	-6.26	29.9	651	861	36.77	13.03	31.99	7.36	70.0
2009			0.75	3.9	4.6	22.0	30.93	3.36	0.89	1.54	5.79	1.50	0.99	8.29	22.64	27.00	-4.36	30.7	736	878	41.54	14.35	35.99	7.78	65.0
2010			0.79	4.2	5.0	22.0	34.02	3.67	1.04	1.58	6.28	1.65	3.02	10.95	23.07	27.39	-4.32	31.5	733	870	45.64	15.75	39.24	8.22	60.0
2011			0.82	4.6	5.4	22.0	36.57	3.92	1.15	1.61	6.68	1.77	3.02	11.48	25.09	27.12	-2.03	32.2	778	841	49.31	17.18	41.98	8.65	55.0
2012			0.84	4.8	5.6	22.0	38.51	4.12	1.23	1.65	7.00	1.86	3.02	11.89	26.62	26.19	0.43	33.0	806	794	52.39	18.57	44.11	9.02	50.0
2013			0.87	4.9	5.8	22.0	39.36	4.21	1.28	1.68	7.17	1.90	3.02	12.10	27.26	25.17	2.10	33.8	807	745	54.71	20.15	45.27	9.42	46.0
2014			0.90	5.0	5.8	22.0	39.75	4.27	1.30	0.86	6.42	1.92	3.02	11.37	28.39	24.10	4.28	34.6	820	696	56.71	21.80	46.05	9.83	42.5
<b>External Debt Reduction Rate 80.0%</b>																									
2005			0.63	1.9	2.6	22.0	15.59	1.88	0.31	1.40	3.58	0.76	0.50	4.84	10.75	20.42	-9.68	26.9	400	760	22.03	8.22	18.11	5.69	92.7
2006			0.65	2.4	3.1	22.0	19.49	2.25	0.37	1.44	4.06	0.96	0.50	5.51	13.98	21.70	-7.72	28.0	500	776	26.84	9.63	23.95	6.10	80.9
2007			0.68	2.9	3.6	22.0	23.39	2.62	0.55	1.47	4.64	1.14	0.50	6.28	17.11	23.38	-6.27	29.0	590	807	31.98	11.37	28.28	6.90	73.1
2008			0.71	3.3	4.1	22.0	26.97	2.97	0.71	1.51	5.19	1.31	0.50	7.00	19.97	25.74	-5.77	29.9	668	861	36.77	13.03	31.99	7.36	70.0
2009			0.75	3.9	4.6	22.0	30.93	3.36	0.89	1.54	5.79	1.50	0.50	7.79	23.14	27.00	-3.86	30.7	753	878	41.54	14.35	35.99	7.78	65.0
2010			0.79	4.2	5.0	22.0	34.02	3.67	1.04	1.58	6.28	1.65	1.51	9.44	24.58	27.39	-2.80	31.5	781	870	45.64	15.75	39.24	8.22	60.0
2011			0.82	4.6	5.4	22.0	36.57	3.92	1.15	1.61	6.68	1.77	1.51	9.97	26.61	27.12	-0.52	32.2	825	841	49.31	17.18	41.98	8.65	55.0
2012			0.84	4.8	5.6	22.0	38.51	4.12	1.23	1.65	7.00	1.86	1.51	10.37	28.13	26.19	1.94	33.0	852	794	52.39	18.57	44.11	9.02	50.0
2013			0.87	4.9	5.8	22.0	39.36	4.21	1.28	1.68	7.17	1.90	1.51	10.59	28.77	25.17	3.61	33.8	851	745	54.71	20.15	45.27	9.42	46.0
2014			0.90	5.0	5.8	22.0	39.75	4.27	1.30	0.86	6.42	1.92	1.51	9.86	29.90	24.10	5.79	34.6	864	696	56.71	21.80	46.05	9.83	42.5
<b>External Debt Reduction Rate 100.0%</b>																									
2005			0.63	1.9	2.6	22.0	15.59	1.88	0.31	1.40	3.58	0.76	0.00	4.35	11.24	20.42	-9.18	26.9	418	760	22.03	8.22	18.11	5.69	92.7
2006			0.65	2.4	3.1	22.0	19.49	2.25	0.37	1.44	4.06	0.96	0.00	5.01	14.48	21.70	-7.23	28.0	518	776	26.84	9.63	23.95	6.10	80.9
2007			0.68	2.9	3.6	22.0	23.39	2.62	0.55	1.47	4.64	1.14	0.00	5.78	17.60	23.38	-5.77	29.0	607	807	31.98	11.37	28.28	6.90	73.1
2008			0.71	3.3	4.1	22.0	26.97	2.97	0.71	1.51	5.19	1.31	0.00	6.50	20.47	25.74	-5.27	29.9	684	861	36.77	13.03	31.99	7.36	70.0
2009			0.75	3.9	4.6	22.0	30.93	3.36	0.89	1.54	5.79	1.50	0.00	7.30	23.63	27.00	-3.37	30.7	769	878	41.54	14.35	35.99	7.78	65.0
2010			0.79	4.2	5.0	22.0	34.02	3.67	1.04	1.58	6.28	1.65	0.00	7.93	26.09	27.39	-1.29	31.5	829	870	45.64	15.75	39.24	8.22	60.0
2011			0.82	4.6	5.4	22.0	36.57	3.92	1.15	1.61	6.68	1.77	0.00	8.46	28.12	27.12	1.00	32.2	872	841	49.31	17.18	41.98	8.65	55.0
2012			0.84	4.8	5.6	22.0	38.51	4.12	1.23	1.65	7.00	1.86	0.00	8.86	29.64	26.19	3.45	33.0	898	794	52.39	18.57	44.11	9.02	50.0
2013			0.87	4.9	5.8	22.0	39.36	4.21	1.28	1.68	7.17	1.90	0.00	9.08	30.29	25.17	5.12	33.8	896	745	54.71	20.15	45.27	9.42	46.0
2014			0.90	5.0	5.8	22.0	39.75	4.27	1.30	0.86	6.42	1.92	0.00	8.34	31.41	24.10	7.31	34.6	908	696	56.71	21.80	46.05	9.83	42.5

Source: figures generated from tables (8-1) and (8-2) assuming (i.e. parameterising) the indicated debt rates of reduction.

**Table (9): Per Capita GDP, Past, Present & Future  
2002 Prices**

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	<b>GDP, Factor Costs</b> <i>US\$ Million</i>	<b>Resident Population</b> <i>Million</i>	<b>Per Capita GDP</b> <i>US\$/Person</i>	<b>Annual Rate of Growth % of Per Capita GDP</b>
<b>1989</b>	24058	17.8	1354	
<b>1991</b>	2916	18.3	159	-88.2
<b>1993</b>	3391	18.9	180	12.7
<b>1994</b>	3303	19.5	170	-5.5
<b>1995</b>	3108	20.0	155	-8.6
<b>1996</b>	3099	20.6	150	-3.1
<b>1997</b>	7730	21.2	365	142.8
<b>1998</b>	12954	21.8	596	63.2
<b>1999</b>	18082	22.3	809	35.9
<b>2000</b>	17575	23.0	766	-5.4
<b>2001</b>	15432	23.6	654	-14.6
<b>2002</b>	14033	24.2	581	-11.2
<b>2003</b>	9513	24.9	382	-34.2
<b>2004</b>	17023	25.7	663	73.4
<b>2005</b>	18112	26.9	674	1.7
<b>2006</b>	23952	28.0	856	27.1
<b>2007</b>	28276	29.0	976	13.9
<b>2008</b>	31988	29.9	1070	9.6
<b>2009</b>	35988	30.7	1171	9.4
<b>2010</b>	39238	31.5	1246	6.5
<b>2011</b>	41982	32.2	1302	4.5
<b>2012</b>	44111	33.0	1336	2.6
<b>2013</b>	45275	33.8	1339	0.2
<b>2014</b>	46053	34.6	1331	-0.7
<b>1989-2014</b>				-0.1

Collected and calculated on the basis of tables (5-2) and (7-2) .

**Note:** Starting from 2003 natural population increase will be augmented by Iraqis returning from abroad.

**Table (10): Sustainability Indicators**  
**Debt Reduction Rate 0%**

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	GDP, Current Prices	Crude Oil Exports	Outstanding Obligations		Annual Service		Balance of Resources & Needs			Sustainability Indicators		
			Outstanding Debt	Outstanding Approved Reparation Claims	Debt Service	Reparation Payments	Retained Crude Oil Revenues	Imports	Balance of Payments Gap (Retained Oil Revenues - Imports)	Outstanding (Debt & Reparations) /GDP	(Debt & Reparations Service)/ Exports	BOP Gap / Exports
2004	19.64	14.42	122.71	44.93	0.00	0.71	10.81	16.80	-5.99	853.5	4.9	-41.5
2005	22.03	15.59	122.71	44.22	2.48	0.76	8.76	20.42	-11.66	757.6	20.8	-74.8
2006	26.84	19.49	122.71	43.45	2.48	0.96	11.99	21.70	-9.71	619.0	17.6	-49.8
2007	31.98	23.39	122.71	42.50	2.48	1.14	15.12	23.38	-8.26	516.6	15.5	-35.3
2008	36.77	26.97	122.71	41.36	2.48	1.31	17.98	25.74	-7.75	446.2	14.1	-28.8
2009	41.54	30.93	122.71	40.04	2.48	1.50	21.15	27.00	-5.85	391.8	12.9	-18.9
2010	45.64	34.02	117.63	38.54	7.56	1.65	18.53	27.39	-8.85	342.2	27.1	-26.0
2011	49.31	36.57	112.46	36.89	7.56	1.77	20.56	27.12	-6.56	302.9	25.5	-17.9
2012	52.39	38.51	107.20	35.12	7.56	1.86	22.09	26.19	-4.11	271.7	24.5	-10.7
2013	54.71	39.36	101.83	33.26	7.56	1.90	22.73	25.17	-2.44	246.9	24.0	-6.2
2014	56.71	39.75	96.37	31.35	7.56	1.92	23.85	24.10	-0.25	225.2	23.9	-0.6

Summarised from tables (2), (5-1), (7-1), (8-1) and (8-2).

**Note:** Outstanding obligations for reparations in 2004 is partly a guess on unsettled claims. From table (2) it is calculated at US\$44.9 Billion as follows::

*US\$44.9 Billion = Compensation Awarded up to Mar 19, 04 (US\$48.2) + 18.3% × Claims to be Resolved (US\$82.6 Billion) - Compensation Paid up to Mar 19, 04 (US\$18.2 Billion).*

The 18.2% is the percentage of compensation awarded (US\$48.6 Billion) of claims (US\$266 Billion), settled by Mar 19, 04.

**Balance of Payments Gap (Retained Oil Revenues - Imports):**

**0% - 100% Debt Reduction**

**Billion US \$**

Debt Reduction Rate	0%	60.0%	80.0%	100.0%
2004-2009	-49.2	-41.8	-39.3	-36.8
2010-2014	-22.2	0.5	8.0	15.6
<b>2004-2014</b>	<b>-71.4</b>	<b>-41.3</b>	<b>-31.3</b>	<b>-21.2</b>

**Source:** for 0% summed up from the above table, for 60% - 100% summed up from table (8-3).

**Madrid Conference Aids**

**Pledges, US\$ Billion**

USA	20.0
Japan	1.5
World Bank	3.7
Others	7.8
<b>Total</b>	<b>33.0</b>

World bank President's Statement (Distributed by the Bureau of International Information Programs, U.S. Department of State. Web site: <http://usinfo.state.gov>), October 30, 2003



## Table (11): Available Estimates of Outstanding External Debt

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5/12/04

Country	(\$bn)	Date	Source and Notes
<b>Minimum (loans)</b>	<b>84.9</b>	2004	Many creditors are still undisclosed. Many of the figures below are guess-timates of dubious reliability. The true picture should become clearer in a few months when the IMF has completed it's survey, and the Paris Club calculates a figure including interest.
<b>Maximum (loans)</b>	<b>137.0</b>	2004	
<b>+</b>	<b>29.8</b>	2004	
Australia	0.5	1991	Paris Club (11 July), AU\$635 (Aust. Wheat Board)
Austria	0.8	1991	Paris Club (11 July)
Belgium	0.2	1991	Paris Club (11 July)
Brazil	0.2	1991	Paris Club (11 July)
Bulgaria	1.0	1998	CSIS
	1.5	1995	22nd Bulgarian-Iraq Committee on Cooperation
			Does not include interest.
	1.7	2003	Deutsche Presse-Agentur 7/3/03
	1.7	2003	Exotix (Iraq: Just the Debt, Exotix Ltd , April 2003)
Canada	0.6	1991	Paris Club (1 July)
China	>2	2003	ABC, China claims it is owed "billions
Czech Rep.	0.1	2004	4bn Koruna, only 100m civilian, according to Prime Minister  <a href="#">1/5/2004</a>
Denmark	0.0	1991	Paris Club (11 July)
Egypt	??		CSIS
Finland	0.2	1991	Paris Club (11 July)
France	3.0	1991	Paris Club (11 July)
	1.7	??	Paris Club (quoted here)
	3.75-	??	Dow Jones 29/3/3
	8.0	2003	Salah al-Shaikhlyâ€™s estimate quoted in Moscow Times
	4.0	2003	Noreenah Hertz F1 fighters, Exocet air-to-surface missiles, laser guided missiles, attack helicopters, military vehicles, and artillery pieces were bought on credit.
	8.0	2003	Financial Times
Germany	2.4	1991	Paris Club (11 July)
	2.1	??	Paris Club (quoted here)
	3.9	2003	The official number from the German ministry of finance, on Handelsblatt (03/04/25)
	4.3	2003	Financial Times
Hungary	0.0	1995	CSIS

Source: [www.jubileeraq.org](http://www.jubileeraq.org).

Country	(\$bn)	Date	Source and Notes
India	1.0	2003	<a href="#">The Hindu, 14/4/03</a>
Italy	1.7	1991	Paris Club (11 July)
	1.3	??	Paris Club (quoted here)
	4.1	1991	Paris Club (11 July)
Japan	3.4	??	Paris Club (quoted here)
	7.0	2003	\$4.109bn + \$2.919bn in arrears. Export credit \$6.46bn, Japan Bank for International Development (JBIC) \$550m. (11 June)
	0.3	1991	CSIS
Jordan	1.3	2003	Minister of Finance, Michael Manto (15 July)
	0.1	1991	Paris Club (11 July)
Korea	1.1	2003	Dow Jones 29/3/3, debt to Hyundai for infrastructure projects in 70s and 80s.
	17.0	1992	CSIS
Kuwait	27.0	2003	MEES quoting Kuwait Investment Authority (KIA)
	2.6	2003	Syndicated loans issued by Rafidain Bank and others, Reuters. Also loans in 1983 from Chase Manhattan (now J.P. Morgan Chase), Irving Trust (now Bank of New York) and BNP (now BNP Paribas).
London Club (Commercial debt)	11.0	2003	<a href="#">Herald Tribune</a> 26/4/3 Emergent Alternative Fund, Aberdeen Asset Management and Argo Capital Management all offer funds that dabble in Iraqi debt.
	0.0	1999	CSIS
Morocco	1.1	2003	Exotix, (Arab Monetary Fund \$368.6m, IMF?, WB?)
	0.1	1991	Paris Club (11 July)
Holland	0.1	1991	Paris Club (11 July)
Paris Club (others)	0.8	??	Paris Club (quoted here): Belgium, Denmark, Finland, Ireland, Norway, Spain, Sweden
Poland	0.5	1998	CSIS
	0.6	2003	FT "Iraq after Saddam", 17/4/03
	0.7	2003	<a href="#">Boston Globe 20/04/2003</a>
Poland + Czech +	1.6	2003	Exotix: Dow Jones 20/1/04
Qatar	4.0	2004	
Romania	1.7	2003	Bucharest Business Week on (21st April)
Russia	3.4	1991	Paris Club (11 July)
	9.6	??	Paris Club (quoted here)
	9.0	2003	Dow Jones 29/3/3. Noreenah Hertz has the same figure, used to buy: helicopters, MIG fighters and radar equipment.
	12.0	2002	CSIS
	8.0	2003	Financial Times
	16.0	2003	Including interest - Channel News Asia

Source: [www.jubileeraq.org](http://www.jubileeraq.org).

Country	(\$bn)	Date	Source and Notes
Saudi	25.0	2002	<a href="#">Arab News SR94bn</a>
	25.0	2003	Exotix
	25.0	2003	Financial Times
	30.0	2005	<a href="#">Gulf Daily News 7/1/04 - \$24bn cash + \$6bn oil</a>
	1.8-2	2003	Minister of Economy (Aleksandar Vlahovic). Serbia + Montenegro claim 38% of this (about \$700-750m).
Spain	0.3	1991	Paris Club (11 July)
Sweden	0.1	1991	Paris Club (11 July)
Switzerland	0.1	1991	Paris Club (11 July)
	0.7	2003	Exotix
	0.3	2003	Swissinfo mainly machinery & building
Turkey	1.8	2003	\$800m principal, \$1bn interest ( Zaman)
	0.8	1990	CSIS
UAE	3.8	2004	Dow Jones 20/1/04
UK	2.0	2003	( No.10)£620m principal, £525m interest
	0.9	1991	Paris Club (11 July)
	1.6	2003	ECGD  (conversation, £623 principal)
US	2.2	1991	Paris Club (11 July)
	2.1	??	Paris Club (quoted here)
	5.0	?	Dow Jones 29/3/3. Clinton considered using Foreign Claims Settlement Commission to satisfy creditors with frozen Iraqi funds, but the creditors failed to agree how to distribute the small amount of frozen funds available.
<b>Totals Loan Estimates</b>			
<b>Amount (\$bn)</b>	<b>Source and Notes</b>		
<b>\$21</b>	19 Paris Club creditors, excluding interest (22 June 2003)		
<b>\$127</b>	<a href="#">CSIS, in Jan 2003, including \$47bn in accrued interest</a>		
<b>\$100-200</b>	<a href="#">US Department of Energy in 2003</a>		
<b>\$142</b>	David Chance, Reuters 3/4/3		
<b>\$127.7</b>	World Bank in 2001		
<b>\$120</b>	Estimate in 2001 by Iraqi economist, Abbas Nasrawi		
<b>Notes:</b>			
The estimates of debt in the table above vary due to:			
Whether the \$30bn from Gulf States is counted.			
Calculation of and inclusion of interest accrued during the period since 1990, during which time Saddam declared a moratorium in repayments.			
Varying exchange rates to dollar of the different currencies in which the debt is denominated.			
Undisclosed creditors.			

Source: [www.jubileeraq.org](http://www.jubileeraq.org), April 2004.