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The world over a barrel

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The entire Middle East region and also North Africa appear to be in the midst of a serious crisis.

The epicenter, this time, is Syria and Iraq, where a civil war is raging and ISIS is having an increasingly destabilizing effect. In addition, the tensions in Egypt, instability in Libya and the precarious political situation in Tunisia appear to be equally alarming.

In the background are oil and control of the enormous energy resources that this region holds and on which the destinies of the entire industrialized world depend. Paradoxically, those riches are at the same time incredible riches and a genuine curse for this geographical region.

What's the way out? It's definitely not through war. It appears difficult to predict a winner in the stalemate between the regional powers fighting against one another and it looks as if the armies could be battling a very long time without the prospect of a definitive military solution. The only practical way forward is through diplomacy.

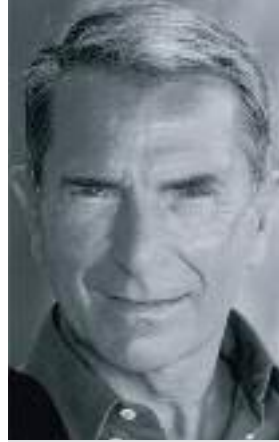
This is the route that Iraq has chosen, as explained in the pages that follow by Iraqi Deputy Minister for Legal Affairs, Mohammed Jawad al-Durki, who speaks of "national reconciliation," of actions to find agreements even with neighboring countries and which, as confirmed by the Oil Minister, show a commitment—in conjunction with other OPEC countries—to stabilize the price of oil and control exports. Ambassador Castellaneta, someone who knows the Middle



by **GIANNI DI GIOVANNI**

East situation extremely well, puts forward the theory - difficult to implement but not Utopian - of an international conference, a sort of new Congress of Vienna. It is a suggestion that governments should embrace in an urgent effort to try mediation. However, it appears that new conditions are required, starting with renewed relations between the West and the Arab World and, in this context, the resumption of an initiative by Europe, rarely active in the region over the years, to be more involved in the Middle East. The United States has an opinion too: Harold Rhode, the longtime Pentagon analyst, finds that in order to beat the jihadists, America must show that it is committed to winning; otherwise it will fail. The point of view of neighboring countries should not be overlooked either: countries like Turkey, Kurdistan and Israel, whose fears are expressed by the political systems expert and diplomat at large, Avi Pazner. And China should not be forgotten, as it has significant energy interests in the Middle East. A lot of space is obviously given to the analysis of oil prices—according to Paul Betts of the *Financial Times*, OPEC needs to reduce prices in order to oppose ISIS. The entire world, and not only the energy world, is following the Middle East crisis with apprehension. *Oil* simply had to dedicate an issue to it, in the hope of helping to provide a better understanding of its equally complex and crucial scenarios. ■

After the sheikhs: The coming collapse of the Gulf monarchies



CARLO ROSSELLA
 is a journalist and executive. He has been the head of *La Stampa*, *Panorama*, *TG1* and *TG5* (TV news programs). He is currently chairman of Medusa Film, the production company of Mediaset.

Anyone who has anything to do with oil must read Christopher M. Davidson's 2013 book *After The Sheikhs: The Coming Collapse of The Gulf Monarchies*. Davidson teaches Middle East politics in the School of Government and International Affairs at Durham University. The author of several important books and numerous scholarly articles, he writes about the region with considerable authority. And so we must pay close attention to the conclusions reached in his latest work. The Gulf monarchies (Saudi Arabia and its five neighbors, the Emirates, Kuwait, Qatar, Oman and Bahrain) have been governed for many years by autocracies, which, aside from small revolts kept under control by the regimes and secret police, moved on unscathed after the Arab Spring. Though their corruption and authoritarianism is often denounced and their imminent collapse often predicted, nothing has changed. On the contrary, the Gulf monarchies have shown themselves to be true bastions of stability. Davidson, however, argues persuasively that this stability is illusory. And he does so 45 years on from a famous work by Fred Halliday, "Arabia Without Sultans," a book forbidden to Ryad as well as to Muscat. And he is not the only expert warning of the imminent (in the space of four or five years or perhaps less) crisis and the collapse of the monarchies through popular revolution. Or about the economic collapse caused by the fall in oil prices created by the enormous flow of American gas and oil into international markets. Important dignitaries in the Emirates, for example, are also showing signs of anxiety; in private conversations and in their writings, they appear overwhelmed by doubt and uncertainty. The boldness of previous times has been lost. Up to now, there have been many reasons for the survival of the Gulf monarchies: the support of western countries, espe-

cially the United States, the United Kingdom and the European Union; the armed forces; the secret police; and the backing of many citizens, a rich "nomenclatura" that enjoys the economic privileges that oil and the regime bring. There were, however, pockets of well organized dissent, especially after the explosion of the Islamic State. ISIS has not yet touched the monarchies, but Islamic faith is spreading among the immigrants and the black flags of the militants have already reached the border between Iraq and Saudi Arabia, which traditionally has been penetrable and impossible to control. It is not the first time that autocratic regimes feel that

Fears are growing, even in the palaces of Riyadh. ISIS is a real danger that is threatening thrones, big and small alike

they are in danger. At the end of the sixties and beginning of the seventies, it was Marxism that worried the monarchs, in the form of warfare supported by the U.S.S.R. and China. First came a Marxist rebellion in Dhofar, a governate in the Sultanate of Oman, in 1962. Another, next door in Yemen, contributed to the formation of a Marxist-Leninist state with Aden as its capital. The intervention of the English special forces, the SAS, was needed in Oman to defend Dhofar from the Marxist guerrilla warfare. All the autocrats, except the Shah of Persia, survived this difficult period. Now, however, fears are again growing, even in the palaces of Riyadh. ISIS is a real danger that is threatening thrones big and small alike. And they are waiting for the armed intervention of Obama's troops, like manna from heaven. ■

C O N T E N T S

opinions

3 Editorial
AFTER THE SHEIKHS: THE COMING COLLAPSE OF THE GULF MONARCHIES
 by Carlo Rossella

4 OIL, GEOPOLITICS AND CRISIS
 by Fabio Squillante

6 Interview with Iraqi Vice Minister Mohammed Jawad al-Durki TOWARD NATIONAL RECONCILIATION
 by Methaq Al Fayad [ag. Nova]

9 Former Italian Ambassador Giovanni Castellaneta speaks A NEW CONGRESS OF VIENNA IS NEEDED
 by Giorgia Lamaro [ag. Nova]

12 Featured interview with Harold Rhode THE AMERICAN ROLE: PROVING ITSELF A WINNER
 by Daniel Atzori

15 Analysis A COMPLICATED PROBLEM
 by Tahar Ben Jelloun

19 Prices THE OPTIMISM OF THE OIL MARKETS
 by Paul Betts

23 Oil industry AN UNCERTAIN FUTURE
 by Bassam Fattouh and Bill Farren-Price

26 Israel/Interview with diplomat Avi Pazner FEAR BEYOND THE TERRITORIES
 by Grant Summer

29 Turkey THE VIEW FROM ANKARA
 by Ibrahim Kalin

32 Kurdistan INDEPENDENCE: TRAPPED IN A DREAM
 by Mohammed Shareef

36 Changes FOR EACH ENEMY, HIS CHALLENGE
 by Amer Al Sabailah

38 Interview with Marathon Oil President and CEO Tillman COUNTING ON A "NEW NORMALITY"
 by Rita Kirby

41 U.S. LEARNING FROM OUR MISTAKES
 by Molly Moore

44 China THE EAST IS KEEPING A WATCHFUL EYE ON THE CRISIS
 by Lifan Li

columns

50 Economy THE STRUCTURE, FUNDING AND WEAPONS OF THE CALIPHATE
 by Antonio Galdo

51 Centers of Gravity TURKEY AT A CROSSROADS: WALKING A FINE LINE ON THE ISIS THREAT
 by Nicolò Sartori

52 Dialogues THE EFFECTS OF THE IRAQ CRISIS

AND THE NUCLEAR AGREEMENT WITH IRAN
 by Giuseppe Acconcia

53 Data THE "WRONG" WAY
 by James Hansen

54 Data OIL PRICE IS FALLING. OKAY, PANIC?
 by INVEST – Scenarios, Strategic Options & Investor Relations - Eni

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The birth of the so-called Islamic State and its military successes in Iraq and Syria have taken the western world by surprise. The phenomenon is, however, the predictable result of the stalemate in the civil war in Syria and the collapse of state institutions in Iraq. And those developments were, in turn, the result of competition between countries seeking to become the dominant power in the Middle East. The stand-off between Saudi Arabia, Iran and Turkey is unfolding on geopolitical, religious and social, as well as military, dimensions. Beyond the phenomenon of ISIS, which may prove fleeting, the larger conflict is due to continue for some time, and it is unlikely that one of the main players will emerge as the clear winner of the struggle to gain control of the Middle East. The solution could be an international peace conference aimed at establishing a general realignment of the Middle East region, a route that is put forward here by Ambassador Giovanni Castellana. But it involves a result that currently appears to be increasingly unlikely.

THE STRUGGLE FOR BLACK GOLD

The Middle East, a crossroads between Europe, Asia and Africa, has been the focus of great power attention since the beginning of the twentieth century, both through the construction of the Suez Canal, which connects the Indian and Atlantic Oceans, and especially on account of its extraordinary reserves of oil and gas, which made the Middle East the world's main energy reservoir. A goal of expanding Iraq's oil reserves drove Saddam Hussein to invade Kuwait, paving the way for the intervention by the international coalition, which, in 1991, inflicted the first serious blow to Baghdad's dictatorial regime. In spite of the harsh sanctions imposed on the country, as soon as they were released from the possibility of exporting "oil for food," Saddam managed to cling to power thanks by inflicting brutality on the civilian population. The bloody nature of the regime was one of the justifications for the second Gulf War, together with the purported presence of weapons of mass destruction in the country, which it was later proved did not exist. Iraq is the second most important country in the world in terms of its oil reserves, which are estimated at over 280 billion barrels. According to some, however, the country's energy potential could be significantly greater,

and perhaps even superior to that of Saudi Arabia. It is obvious, therefore, that Saddam Hussein remaining in power and governing a country with such wealth would have constituted a serious risk for the entire region. After the victory of the international coalition led by the U.S. and the fall of Saddam Hussein's regime, the unfortunate decision to disband the Iraqi security forces and armed forces laid the foundation for a prolonged destabilization of the country. The ongoing civil war, which pitted Arab Shi'ite and Sunni communities against one another, caused the death of tens of thousands of people, plowing a furrow of distrust that remains to this day. The attempt by the United States to put an end to the violence was aggravated by the fierce competition between the powers in the region—in particular Saudi Arabia and Iran—which made Iraq into an ideal area of conflict between Shiites and Sunnis. Barack Obama's decision to withdraw the international forces at a time when peace in the country appeared to be

somewhat precarious reignited the competition for hegemony between Islam's two large factions. It's worth remembering that a Shi'ite block made up of Iran, Iraq and Syria would have huge oil reserves at its disposal, and therefore an enormous financial capacity and extensive political influence.

THE ARAB SPRING AND THE START OF A NEW CONFLICT

In January of 2011 the explosion of the so-called Arab Spring marked the rise of a third large faction of the Islamic world, that of the Muslim Brotherhood, which until then had existed semi-clandestinely in almost all countries in North Africa and the Middle East. The revolutions were supported by Qatar, a moderate-sized emirate in geographical terms, but incredibly rich in natural gas and capable of deploying the media power of Al Jazeera, the most widespread and watched satellite television channel of the Arab world. Al Jazeera acted as a propaganda machine and even

organized protests. Equally important was the support the Arab Spring received from Recep Tayyip Erdogan, the then-Prime Minister and now President of Turkey, a country which only a century ago was the great power of the entire Muslim world. If the competition between Saudi Arabia and Iran is essentially fuelled by the ancient religious division between Shias and Sunnis, the Arab Spring marked the emergence of a new conflict, this time entirely within the Sunni world. The Muslim Brotherhood was established in 1928 by Hasan al-Banna, an Egyptian teacher committed to spreading the values of an Islam inspired by the solidarity and dignity of Suez Canal workers. Over the years, the movement managed to create significant social service networks that made up for the inadequacies of the governments by providing healthcare and free education to the poor. Opposed to socialist-inspired nationalism and feudal monarchies, the Brotherhood existed semi-clandestinely, developing an internal

Once again, the eyes of the world are turning to Iraq, especially energy interests in the Middle East and North Africa. Oil is the real protagonist of a conflict that has, for years, dominated this part of the world. This issue of *Oil* analyzes the current situation in the region, focusing not only on Iraq but also on the roles and interests of neighboring countries

organization that was, in some respects reminiscent of 19th century freemasonry. From a social perspective, the Arab Spring can be considered the first great bourgeois revolution of the Arab world, with the Muslim Brotherhood at the forefront. It should come as no surprise, therefore, that many oligarchic nationalist regimes (Egypt, Syria, Tunisia) opposed the revolution, as did the monarchies of the Persian Gulf. The exception is Qatar, which takes inspiration from the Western social model and, at the same time, traditionally represents a bridge for dialogue with Iran. Having come to power in Egypt (also thanks to the strong support of Turkey and Qatar), the Brotherhood demonstrated that it was incapable of governing the country, imposing an extremist version of Islam which terrorized the highest levels of society. The failure of the revolution and the military coup d'état were promoted by the Gulf monarchies, which drove the integralist Salafi parties to align themselves with the secularists to overthrow

the Muslim Brotherhood government. The coup and the subsequent repression of the Muslim Brotherhood exposed the bitter conflict between Turkey and Saudi Arabia, which was also felt in Syria, where the anti-Assad front split.

SYRIA AND ITS MINORITIES

Syria fell prey to civil war in 2012. Although the Sunni people were in the majority, Syria was governed with an iron fist by the Alawites, a Shi'ite-affiliated sect. The Assad family exercised their power through the Ba'ath Party, a socialist-inspired national party supported by the Alawites and also by a significant Christian minority and the Kurdish community, also essentially Alawite. When the revolution exploded, the Gulf monarchies, led by Saudi Arabia, rushed to support the Salafi movements, to vie for the leadership of the anti-Assad front against the Muslim Brotherhood, which were supported by Turkey and Qatar. All three Muslim regional powers are in-

involved in the Syrian conflict, each of them supporting a local faction in an attempt to impose its power on the Middle East and see its model prevail. Iran supports the secular regime of President Bashar al-Assad, leader of the minority Syrian Alawites, affiliated with the Shi'ite movement. Turkey supports the Sunni movements connected to the Muslim Brotherhood, which are fighting against Alawite domination, but which also constitute a danger to the feudal monarchies of the Persian Gulf. Lastly, Saudi Arabia supports the Salafi and al-Qaeda movements in an attempt to remove Iranian influence from Syria, but also in order to contain Turkey's neo-Ottoman expansion in the Arab world. The energy riches of the region simply intensify the conflict between these forces, giving some of the countries involved the financial capacity to support entire countries. For example, this is the case with Egypt, devastated by last year's military coup that saw the fall of the Muslim Brotherhood, which has since been supported financially by Saudi Arabia and its Gulf allies. At the beginning of his second term, once Hillary Clinton was no longer his Secretary of State, Barack Obama chose the path of dialogue with Russia and launched direct negotiations with Iran over Teheran's nuclear program. These decisions undermine the credibility of "moderate" Syrian rebels and are pushing the Saudis to rely even more on extremist movements. In the meantime, relations between Turkey and the United States are going through a tense period. The Gezi Park movement and the judicial scandals, which risk toppling Erdogan's government, are seen by Ankara as the result of the hostility of Obama's administration. When Hillary Clinton left the State Department, the U.S. sought to reduce the ambitions of Erdogan, who was looking to China for a new anti-aircraft defense system, and who had begun to support extremist Syrian movements capable of countering both Assad and "moderate" pro-Western rebels. The Syrian pressure cooker is promoting the growth of Islamic State and the disintegration of the Iraqi state. In the occupied areas, ISIS leaders are leaving the public administrations, hospitals and schools in place and paying the wages of state employees, which is somewhat different from the behavior of al-Qaeda. Their social model is republican, and more like that of the Muslim Brotherhood or the Lebanese Hezbollah Shi'ite party, rather than the Islamic primitivism of the Taliban or Osama bin Laden. It is also on account of this that they can easily manage to forge an alliance between the central east-

ern Iraq Sunni tribes, who, having been ousted from power as a result of the Shi'ite sectarianism of President Nouri al Maliki, want to regain their lost power and thus are supplying ISIS with thousands of motivated fighters, a large number of them former members of the security forces and army of Saddam Hussein.

THE CURRENT DOMAIN OF THE ISLAMIC STATE

The Islamic State currently occupies an area between Syria and Iraq more or less the size of Belgium. It can count on a large part of Syrian oil reserves, deposits of gold and currency looted from banks in the occupied territories, as well as an army reinforced by equipment and weapons taken from the Iraqi armed forces. Its militias are countered in the area by the soldiers of the autonomous region of Iraqi Kurdistan, supported by the United States, the Syrian and Turkish Kurdish militias, supported by Assad, the Iraqi armed forces, supported by Iran, the Syrian Sunni militias, both Salafi and "moderate," supported by Saudi Arabia and its allies, and lastly the airforce of the international coalition led by the United States. Although Turkey and Qatar officially belong to the coalition, they do not take part in bombing missions or provide bases or logistical support. The Ankara government has refused to let U.S. aid pass through Turkish soil to go to help the Kurds in Kobane.

The vast anti-ISIS camp is concealing enormous divisions. The war in progress in Syria and Iraq, as we have seen, is the result of an extremely bitter conflict between Saudi Arabia, Iran and Turkey to gain power over the Muslim Middle East. The aerial offensive is not enough to destroy ISIS and the current balance between the three regional powers can be considered one way of preventing the emergence of one player that is too large. By involving all the key players in the region, all of which need resources to support the war effort, the war has also created a sharp fall in oil supplies. This development favors consumer countries and penalizes Iran and Russia in particular, which were already in the grip of international sanctions and suffering from stagnant economies. Whether or not the Islamic State continues for a long time, it is unlikely that this great Middle Eastern war will end with a clear victory for any one of the countries involved. The only way a solution could be reached is through an international conference with mutual guarantees from political, economic and security levels. However, it appears unlikely that this will happen before a new administration takes up office in Washington. ■

Exclusive/Iraqi Vice Minister Mohammed Jawad al-Durki speaks



MOHAMMED JAWAD
AL-DURKI

A Shiite from Karbala, Mohammed Jawad al-Durki became Iraq's ambassador to Belgium in 2009. In 2011, he took over as Chairman of the Organizations Department of the Iraqi Foreign Ministry, and in 2013, Undersecretary for Legal Affairs and Multilateral Relations. With his articles he accused the People's Mojahedin Organization of Iran (PMOI) of helping Saddam's regime.

Toward national reconciliation

After Prime Minister Haider al-Abadi forms the new government, Iraq will address all of its problems, even attempting agreements with neighboring countries. Meanwhile, Iraq's Oil Ministry is working with OPEC to stabilize oil prices and control exports

“ stabilization • new agreements • reconciliation • unity • federalism • new agreements • reconciliation • unity • federation • crude price • export • unity • reconciliation • agreements • unity • balance • new agreements • national sovereignty ”

Several Iraqi constituencies are pulling together in the form of agreements between Shiite forces and major Shiite parties “to unite efforts against terrorism and terrorist groups.” Iraqi Vice Minister for Legal Affairs Mohammed Jawad al-Durki offers assurance that Iraq will move “toward national reconciliation and will find solutions to all problems,” including forming agreements with neighboring countries and smoothing tensions with Kurdistan. The Vice Minister also explains that the Ministry of Oil is working with OPEC and other oil producing countries to stabilize oil prices and control exports.

by METHAQ
AL FAYAD
(AGENZIA NOVA)



THE NEW FACE OF ENERGY

Adil Abdul-Mahdi al-Muntafiki, Shiite, politician and economist, was appointed Minister of Oil in September 2014. He was one of Iraq's Vice Presidents from 2005 to 2011, and he served as Finance Minister in the interim government. Early in his career he was forced into exile in France as a result of his association with the Iraqi Communist Party. In the early 1980s he began to adopt the Islamic principles of Iran, until his appointment as a member of the Supreme Council for the Islamic Revolution in Iraq, an opposition party composed exclusively of Iraqi exiles. Defeated by a single vote in a 2006 run for Prime Minister of Iraq against Ibrahim al-Jaafari, Abdul-Mahdi was re-elected in the same year, for the office of Vice President, a position he held until May 31, 2011.

Iraq, in fact, is now divided into three entities: the central state, which controls the south and central-eastern region of the country, the autonomous region of Kurdistan and the vast northwestern area which, being largely Sunni, is currently controlled by the so-called Islamic State. What are the prospects for peace and the reunification of the country?

There are attempts at reconciliation, with conferences and meetings held between the different Iraqi constituencies. Specifically, the southern region has initiated the signing of agreements between the Shiite forces and major Shiite parties to unite efforts against terrorism and terrorist groups. Their fighters have gained important victories, including the liberation of the city of Amrli and the village of Jurf al-Sakhr. There have also been meetings for reconciliation and unity between Sunni tribes in Ramadi, in the western part of the country, and tribes of the south. These meetings have been sponsored by the government for the purpose of regaining national unity. Even Iraqi Kurdistan has begun to collaborate with the central government, and a committee has been formed to resolve outstanding issues and problems between Baghdad and Erbil, which we believe will soon pay off and resolve the crisis between us.

When a national unity government is installed in Baghdad, will it possibly provide a path leading to a federal structure for the country?

After the Prime Minister, Haider al-Abadi, manages to form a new government, I believe that everyone will proceed toward national reconciliation and solutions will be found for all problems. As for federalism, the Constitution states that Iraq is a united federation and within it we find that the central government has broad powers, but also that important powers are given to the regions. The power of the central government is to outline foreign policy, in which the regions cannot intervene. It also has the power to conduct the armed forces and to control borders and security, but not to intervene in local issues. Local issues are the prerogative

of the regions, which have full administrative authority. The regions can also organize internal security forces such as the police or regional guards. The Constitution identifies the president of the region as the governing person who is elected every four years. The Constitution also provides the opportunity for regional councils to have their own foreign diplomatic delegations in order to promote cultural diversity in their areas. This gives political power to the regions, enabling them to maintain foreign relations and to promote investments and economy in their territories.

The armed conflicts involving Iraq and Syria already show the direct participation of the three regional Muslim powers: Saudi Arabia, Iran and Turkey. The influence of these three countries has a direct effect on Iraq's internal affairs. Do you think that the solution to Iraq's problems can only be found at the international level? And with the involvement of which global and regional powers?

Certainly, the three neighboring countries of Iraq have both negative and positive influences on us, just as Iraq influences them. It is necessary to find a balance of power through a series of agreements between the neighboring countries and those of the region, which, at the same time, must respect the national sovereignty of the individual countries. Iraq is working, through official visits of members of its government and of Foreign Minister Ibrahim al-Jaafari, with neighboring countries to resolve problems and to initiate cooperation and participation agreements to create this balance.

Despite the armed conflict, or rather, likely because of it, oil prices on the international market are falling. How does control of oil resources determine the course of the conflict, and what future effects could the war have on the stability of the international oil market?

Efforts are being made by the Ministry of Oil, which is working with OPEC and other oil producing countries to stabilize oil prices and control exports. A coordinating committee has been created between the Ministry of Foreign Affairs and the Ministry of Oil to examine what the repercussions will be for Iraq, and I believe that the Ministry of Oil will make every effort to stabilize the export of Iraqi oil.

In 2003, shortly after the fall of Saddam Hussein, the then-head of the management of the occupation of Iraq, Paul Bremer, said that within five years a law on oil would be approved. In the meantime, international forces have withdrawn and eleven years have since passed, but the law has still not yet been approved. Do you believe that a fair division of resources between the various Iraqi communities could promote peace in the country?

As regards the sources of wealth of the country, such as gas and oil, the text of the Iraqi Constitution states that common goods are the property of all Iraqi people in all regions and should be distributed throughout the country according to population density. The government has empowered the regions and provinces by giving them the right to manage the country's assets and resources, outlining a strategic policy to get out of this crisis. A bill introduced by the government on this issue is currently being scrutinized in Parliament and will be examined by the relevant committees.

Interview/Former Italian Ambassador to the U.S. and Iran, Giovanni Castellaneta

A new Congress of Vienna is needed



Maintaining Iraqi unity is going to be very difficult—perhaps the only hope for a comprehensive solution can come from an international conference for the reorganization of North Africa and the Middle East, with the participation of the U.S., Russia and other important players

The successes achieved by Islamic State in Iraq are due, to a great extent, to the support that the “caliphate” has found among Iraqi Sunni communities. In a certain sense, they are the product of the Second Gulf War, and specifically of the difficulties encountered in the reconstruction of Iraqi state institutions after the fall of Saddam Hussein's regime. We asked Giovanni Castellaneta for his perspective on this crucial period in the region. He has had a long and distinguished career in the Italian government, holding positions as Ambassador to Iran, National Security Advisor under Silvio Berlusconi, (during the years of the Iraq war), and finally as Italy's Ambassador in Washington.

Ambassador, you observed both the 1991 and 2003 Gulf Wars at close quarters. What elements did they have in common and what were the differences between the two conflicts?

In 1990, I was the Spokesman for the Italian Foreign Minister, Gianni De Michelis, and in 2003, I was National Security Advisor in the government led by Silvio Berlusconi →



GIOVANNI CASTELLANETA was the Spokesman for the Foreign Ministry (1990-1991) Italian Ambassador to Iran (1992-1995), Australia (1998-2001) and the United States of America (2005-2009). From 2001 to 2005 he was National Security Advisor to the Italian Prime Minister. He is presently the Chairman of Sace, an Italian export credit company.



After the lightning war, we went with De Michelis to Kuwait a few days after the liberation. Everything was in flames, fires were everywhere and the countryside had a lunar, apocalyptic landscape.



I took part in all the negotiations before the March 2003 attack, and I have to say that Berlusconi always tried to dissuade George W. Bush from military intervention in Iraq.

coni. I followed all the stages of the war in Kuwait, to which Gianni De Michelis adopted a position very strongly in favor of intervention. The most obvious difference between the two conflicts was the role of the U.N.: in Kuwait, the intervention was a lightning war backed up by a United Nations resolution, while in Iraq, in 2003, things were different. What the two conflicts had in common was the brutality of the Iraqi regime. After the lightning war, we went with De Michelis to Kuwait a few days after the liberation. Everything was in flames, fires were everywhere and the countryside had a lunar, apocalyptic landscape. Our embassy was riddled with bullets and everyone was telling us stories about looting by Iraqi troops. The American President, George H. W. Bush, however, in compliance with the U.N. mandate, and also thanks to a more strategic view of the situation, decided not to go as far as Baghdad.

What made the President stop?

Bush knew that no one would have defended the Iraqi capital and that in half a day the coalition troops would have got there, also because Saddam's army turned out to be a paper tiger. On the other side, the coalition army was a powerful force; many countries wanted to be involved thanks to U.N. support. Bush senior chose the careful route: not having a clear exit strategy, he preferred to teach Saddam a hard lesson, without forcing a change in government. It was a decision made only after careful consideration, in particular because of the uncertainties regarding the future of the Kurdish community.

Did Turkey influence that decision?

Definitely, because Turkey is very scared of the Kurdish people, a population of 20 million scattered in several countries, a nation which can rely on oil, in the north of Iraq, but which has no access to the sea. Ankara looks fearfully at the birth of a strong Kurdish state at its borders, and the same goes for Iran. In my opinion, this is a shame: after years of struggles, the Kurdish people should have more recognition at the international level. It is clear that some Kurdish establishments are more democratic than others, but their struggle involves one ethnic principle and one language. However, the Turks, after the lesson taught to Iraq, with a weak Saddam Hussein, definitely thought they would be able to

control the situation in the region better. The decision to stop, however, was mainly taken by President Bush.

When the Second Gulf War broke out you were at the Italian Prime Minister's Office. What was your impression of Italy's role in that war?

In my role as National Security Advisor to Prime Minister Berlusconi, I was in contact almost daily with my counterparts in the United States, the United Kingdom, Spain and other countries, which were directly involved in the war in Iraq. I took part in all the negotiations before the March 2003 attack, and I have to say that Berlusconi always tried to dissuade George W. Bush from military intervention in Iraq. We believed that intervention without a U.N. resolution would be very risky, and Berlusconi always weighed in with his reasons for this belief at all the international meetings. This is the reason why Italy only took part in the coalition after the end of the war, sending its own military contingent to Nassiriya during the victory consolidation stage.

What can you tell us about the presence of weapons of mass destruction in the country?

We were conscious that there were no weapons of mass destruction in Iraq. Berlusconi always said so, we always said so. I actually spoke about it several times with Condoleezza Rice, George W. Bush's National Security Advisor at the time. The real justification for the war was not the weapons of mass destruction, which we did not know about, but the brutality of Saddam Hussein's regime. In those years, the action of the International Agency for Atomic Energy and the Oil for Food program made it almost impossible for Baghdad to hide weapons of that sort. I remember that there was also a rumor going round that Iraq was going to buy uranium from Niger with the involvement of some Italians: an absurd theory given that the only uranium mine in that country was strictly controlled by France. For us, I must repeat, the only real weapon of mass destruction was Saddam Hussein himself, with his regime stained by horrendous crimes, like the gassing of Kurds.

Is it true that the then Secretary of State, Colin Powell did not agree with the intervention? What



Condoleezza Rice did not have a decisive influence in advising on the armed intervention; among Bush's inner circle, she was the person least inclined toward the intervention.

was the position of Condoleezza Rice?

The period of the war in Iraq was not one of Colin Powell's finest moments at the United Nations. He's a good friend, we are very close, but at the time he was forced to defend the military intervention in Iraq at the U.N. with information that later turned out to be untrue. As far as Rice was concerned, unlike Vice President Dick Cheney, she did not have a decisive influence in advising on the armed intervention; among Bush's inner circle, she was the person least inclined toward the intervention. Nevertheless, as a loyal adviser to the president, she put forward various options, but it was Bush alone who then made the decisions. He wanted to bring his father's work to an end and is still convinced that he did the right thing. He only admits now that the situation "got a bit out of hand" after the conflict. I never saw duplicity from him, he has always been a sincere and direct person, as we found during an important meeting at Camp David, a few months before the start of the war.

It was in September 2002...

Yes, we were invited, with Berlusconi, to Camp David, the President's country residence. It was a pleasant meeting, like the one that followed at the Bush family ranch in Crawford, Texas, where I was given the room that used to be George W's when he was a young boy: a delightful, yet simple small room. At Camp David, Berlusconi made his last attempt to dissuade President Bush from armed intervention, but Bush was determined and also supported by the United Kingdom and Spain, as was later seen in March 2003 during the famous Azores Summit. I advised Berlusconi not to take part in that summit because it was the meeting in which they were preparing for war and, as I'd already said, we didn't want to be involved unless the United Nations had given clear authorization.

What role did Italy play?

At the end of the conflict, the Italian army behaved in exemplary fashion. We tried to open a dialogue with the Iraqis and maintain links between the Sunnis and the Shiites, to avoid precisely what went on to happen: a Shiite government gained the upper hand with all the consequences that we are currently seeing in the region. After the fall of Sad-



I never saw duplicity from Bush, he has always been a sincere and direct person, as we found during an important meeting at Camp David, a few months before the start of the war.

dam, the Americans themselves did not manage to create a proper coalition government. Perhaps it would have been possible to adopt different policies and achieve better results, but in the light of other interventions, like the one in Afghanistan, one can say that it's always difficult to imagine that countries with very different traditions from our own can move in a short space of time from an autocratic, authoritarian regime to a democratic one.

Iraq currently appears to be divided into three different entities: the Autonomous Region of Kurdistan, in the north, which is almost entirely independent; ISIS occupying the central and western areas with a Sunni Arab majority; while the central and southern regions, with a Shiite majority, appear, perhaps out of necessity, to be more pro-Iran than before. Will it be possible to rebuild a unitary state?

I honestly don't know if there is a way out that involves maintaining Iraqi national unity. Like Libya, Iraq is a country created under the rule of colonial powers, and its intention to protect those borders at all costs, in spite of their cautiousness, could prove to be the wrong choice. In the near future, however, in the light of previous experience, I believe it is more likely that a "broad" federation could be established. The only possibility for achieving a comprehensive solution would be an international conference for reorganizing North Africa and the Middle East, a sort of Congress of Vienna which, with the participation of the United States, Russia and other important players in the region, could agree on a charter of economic and political undertakings. Perhaps this solution is utopian, but sometimes it's worth pursuing utopia. Perhaps the E.U. should do more: we, who have lived through world wars and accepted the existence of small states, even within our borders, perhaps could manage to see beyond the concept of "rigid nations." We can no longer have a defensive attitude about everything that was done in the last century.

Feature/Harold Rhode, longtime Pentagon expert analyst

The American role: proving itself a winner

This is one of the challenges we're going to have generally, when you have states that are failing or in the midst of civil war. These kinds of organizations thrive

Barack Obama
U.S. President

It is a longterm fight. This is difficult, it is complicated. It's going to require many factors. And we are working now with coalition partners

Chuck Hagel
U.S. Secretary of Defense

ISIS has control of oil and is using the income derived from it to build its military and signal its power to the world. In order to defeat the jihadists, America must demonstrate its resolve and willingness to see the fight through to a decisive victory

Oil provides the Islamic State with funds to buy weapons and, as a result, demonstrate its growing military power. This hard power also has soft power effects. For this reason, the United States must work on showing that it is stronger than the Islamic State, as it did with al Qaeda. Harold Rhode, who served as a Pentagon analyst for 28 years until retiring in 2010, provides his view of the Islamic State, presents the perspective of other countries, including China, Iran and Russia, and suggests what America needs to do to obliterate ISIS once and for all.

In your view, is the Islamic State only a regional issue or is it a wider threat to global interests and security, including energy security?

The Islamic State (IS) is a threat to the world.

The Islamic State is in control of some oil fields. What do they do with the oil they extract?

They are now selling oil from 30 USD a barrel on the international market. They pay all sorts of people to export oil. Turkey helped the Islamic State to export it. There is no other way that oil can get out. There is no physical way that this can happen. Once oil gets into Turkey, no one knows anymore where it comes from. Then, it is put onto tankers and shipped abroad. Once oil is at sea, it is a fungible asset and could end up anywhere.

What is the importance of gaining oil wealth to the Islamic State's strategy?

They buy more weapons. They want to take over the world. Their message is easy, it's simple, and it works for many Sunni men with no future.

The Islamic State has made clear its intention to redraw the map of the Middle East. In your view, does the current phase of turmoil represent a sign of crisis of the Arab state system established by the 1916 Sykes-Picot Agreement, which reorganized the Middle East after the defeat of the Ottoman Empire during World War I?

The 1916 Sykes-Picot Agreement borders served colonial interests. They are artificial. They mean nothing to the locals. There is no reason why these borders should exist. In →



HAROLD RHODE

is an American expert on the Middle East. He worked as an analyst at the Pentagon for 28 years. Rhode has traveled extensively throughout the Muslim world, and studied and done research at universities and libraries in Egypt, Israel, Syria, Jordan, Iran, Afghanistan, Turkey, Uzbekistan and Kazakhstan. Currently he is a Distinguished Senior Fellow at the Gatestone Institute in New York.



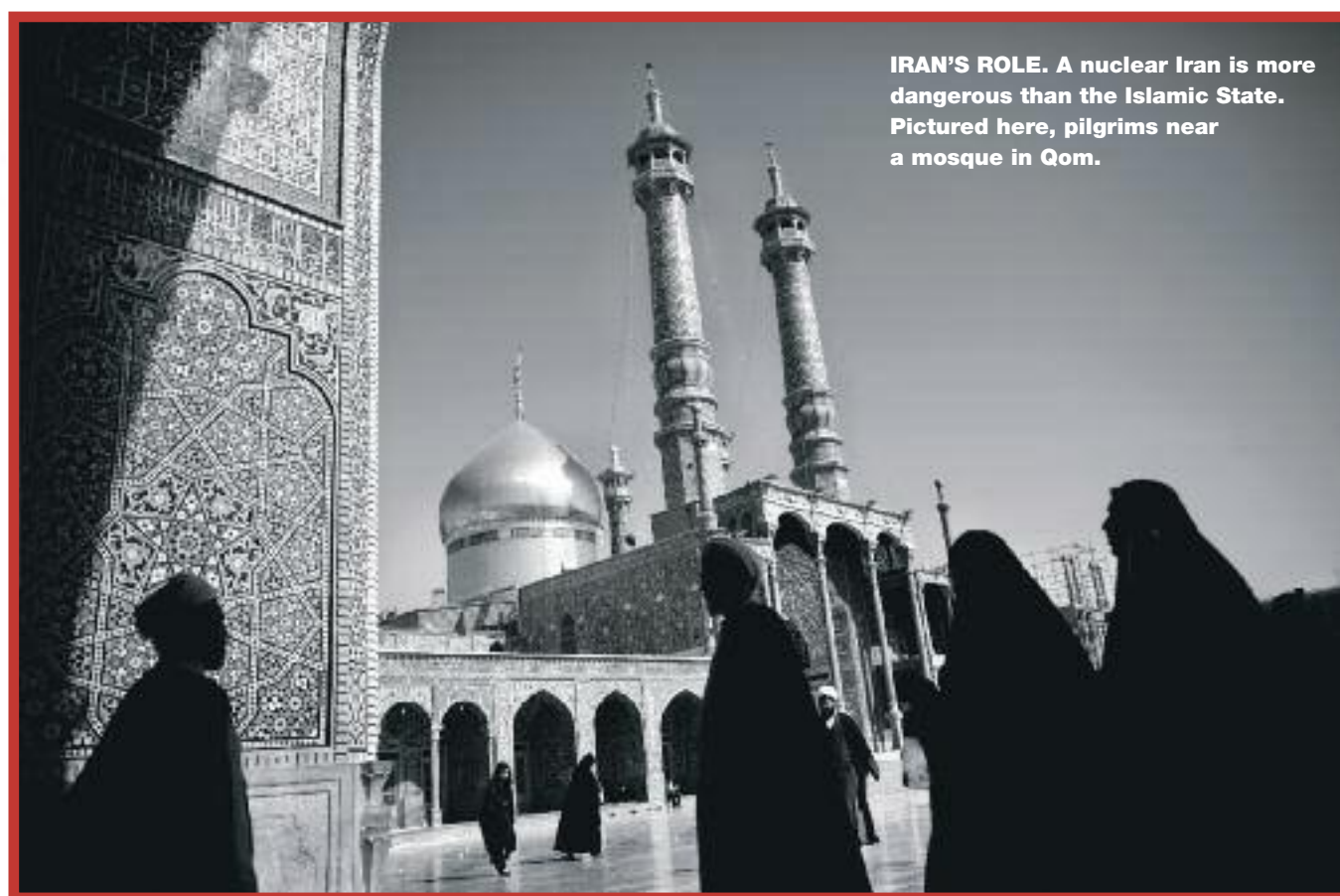
In the face of this sort of evil, we have only one option: To confront it with a holistic global campaign that is committed and capable... enough to ensure, whether in Iraq, Syria, or elsewhere, ISIL cannot find safe haven. It's about taking out an entire network—decimating and discrediting a militant cult masquerading as a religious movement

John Kerry
U.S. Secretary of State
(to the UN)



If the goal is to destroy ISIS, as the president says it is, I don't believe the strategy that he outlined will accomplish that. At the end of the day, I think it's going to take more than air strikes to drive them out of there. At some point somebody's boots have to be on the ground. That's the whole point

John Boehner
Speaker of the U.S.
House of Representatives



IRAN'S ROLE. A nuclear Iran is more dangerous than the Islamic State. Pictured here, pilgrims near a mosque in Qom.

the Middle East, identities are based on families and tribes. The whole map of the Middle East could be redrawn. For example, I see no reason why there should not be an independent Kurdistan.

What should be the Western strategy toward the Islamic State?

There is no way to compromise with the Islamic State and there is no appeasing it. The Islamic State is a Sunni organization. It hates Shiites, as well as other Sunnis it disagrees with. If Sunnis in the Middle East see that the Islamic State is succeeding, more Sunnis will join it. Middle Easterners love winners. So, we must defeat them; we must show them to be losers. As fast as ISIS got created, that's how fast it can be defeated. There cannot be any compromise here: ISIS must be destroyed.

How?

If we do not want to have troops on the ground, we cannot succeed. So far, we are not inflicting serious damage on them with aerial bombardment alone.

Does the Islamic State also represent a threat to other countries, such as China?

China has two types of Muslims. The first are Han; they understand that they must get along with the government. Their approach is similar to Indonesian Muslims. That is not the case in Xinjiang: their Muslims are Turkish. They are closer to Istanbul than to Beijing. There are Uyghurs fighting on the side of the Islamic State in Syria and in Iraq.

And what about Russia?

The reason why Russians hate the Islamic State is because many young Muslim men in Russia have no future. They get into drugs, sex, and then into mosques, which are funded by the Wahhabis and other Salfists. Suddenly, these downtrodden Russian Muslims feel they are somebody - they feel important: they are in the vanguard. That is why, for Russians, the elimination of the Islamic State is so important.

In your opinion, should the West cooperate with Russia against the Islamic State?

Russia is concerned about its satellite state, Syria. But anyway, we should work privately with the Russians if they don't want to do this in public.

What is Iran's role?

Iran is the largest Shiite power in the world, and ISIS hates Shiites. So in theory, Iran has to oppose the Islamic State with all its might. Yet Iran helped create it in the beginning. The Iranians thought they could control ISIS, or at least have some influence over that organization, but it did not turn out that way. If ISIS conquers Najaf and Karbala, it would destroy the Iranian government's honor and position in the Muslim world. Now, Iran wants America and the West to concentrate their attention on the Islamic State, so the Iranians can develop their nuclear power. And a nuclear Iran is more dangerous than the Islamic State. Iran says: "We will help you, if you give us concessions in the nuclear deal," i.e., "We will have our cake and eat it too."

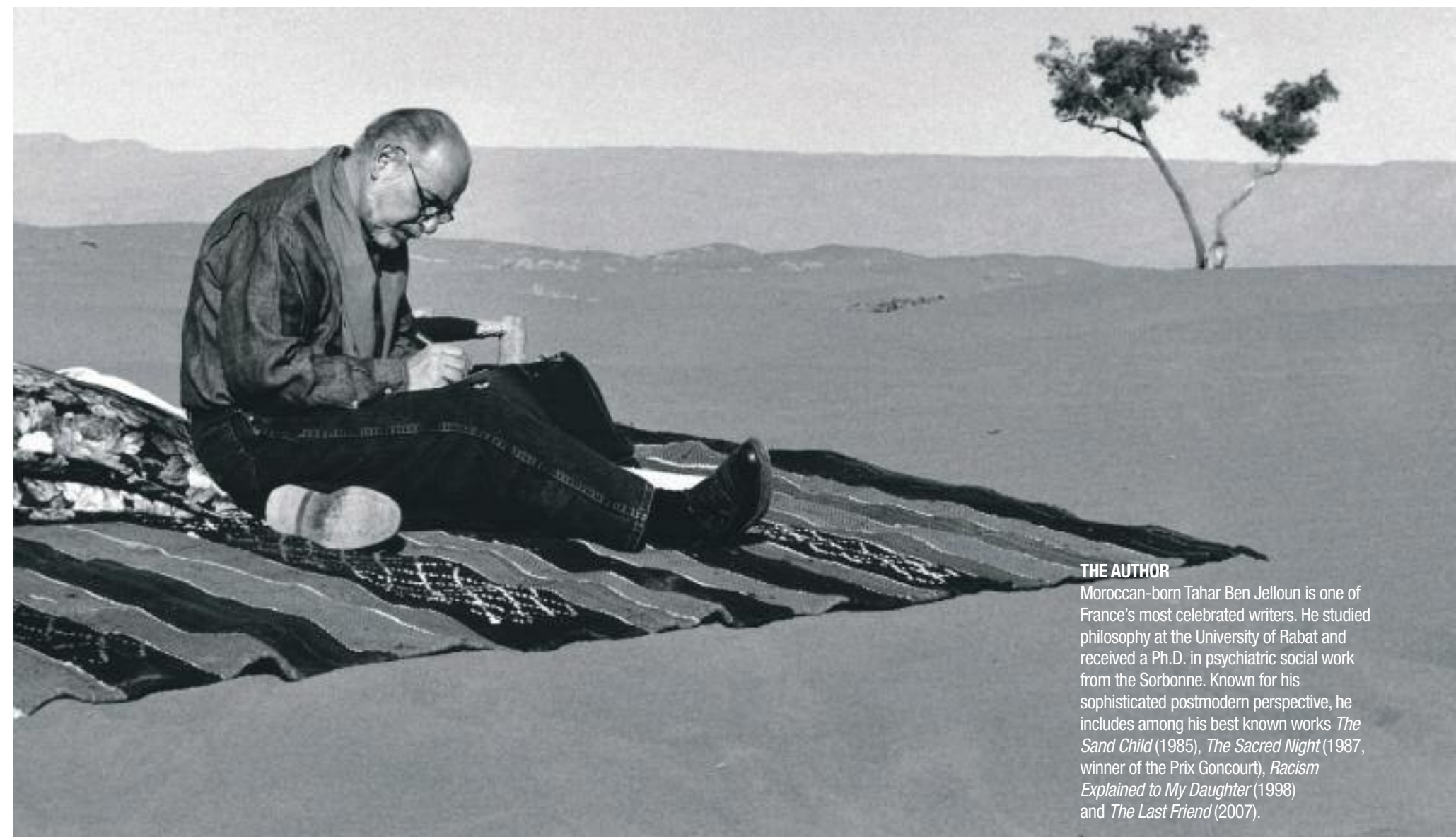
In conclusion, what strategy should the U.S. adopt at this moment?

American leaders should lead and inspire. That's how America defeated al Qaeda in Western Iraq during the Surge in 2007. Then, the U.S. demonstrated resolve. It destroyed al Qaeda and worked with the local authorities. The great American General David Petraeus convinced the Sunnis that the Marines were the strongest "tribe" and could be counted on to win and protect them. In order to defeat ISIS, America must again demonstrate that America can be trusted—that it will not lose interest and run. America must lead, and show the Middle East that it is the strongest horse and will again protect its friends and allies. Otherwise, America is doomed to fail. As the greatest living Middle Eastern professor, Bernard Lewis, once said, the Middle Easterner is constantly looking to identify the bandwagon in the traffic jam. When America demonstrates commitment and resolve, America will gain allies, and ISIS will be eliminated. But, given the current leadership in Washington, is America prepared to do so? For now, President Obama appears detached, aloof and disinterested. This is not a recipe for America success in the Muslim world; it is a recipe for failure.

Analysis/The origins and history of a phenomenon that threatens the world

A complicated problem

Illegitimate rulers, social injustice and the mistakes of the West have led to the rise of ISIS, according to a renowned Moroccan-French writer. The Islamic states must realize that this jihadist state will ruin them



THE AUTHOR

Moroccan-born Tahar Ben Jelloun is one of France's most celebrated writers. He studied philosophy at the University of Rabat and received a Ph.D. in psychiatric social work from the Sorbonne. Known for his sophisticated postmodern perspective, he includes among his best known works *The Sand Child* (1985), *The Sacred Night* (1987, winner of the Prix Goncourt), *Racism Explained to My Daughter* (1998) and *The Last Friend* (2007).

T
by **TAHAR BEN JELLOUN**

he question will be posed for a long while about what was the main reason that prompted George W. Bush to invade Iraq in March 2003. It wasn't the existence of weapons of mass destruction, nor was it the desire to bring democracy to the Iraqi people—as if this system of values were a pill to be taken in the morning to become democratic by the evening—and it wasn't even the well-being of the population of this country that he had in mind, nor the

fact that he would be stopping a dictator. What prompted George W. Bush to involve his country in a military mission with numerous, as well as dangerous, consequences and implications was oil. Bush wanted control over the energy of this country. The second serious error committed by the Pentagon beyond the initial invasion was to disband the regular Iraqi army, making it ineffective—without a purpose and without a base.

The result: Iraq is currently threatened by lawless activists with no faith, imposters and frauds who use Islam and the Quran as a means of seizing power and expanding into neigh-

boring countries. Iraq has become the setting for a new religious war between Shias and Sunnis. If, in the past, these two Islamic branches coexisted peacefully, George W. Bush, after ravaging Iraq, put a prime minister in charge who favored the Shias and humiliated the Sunnis.

The DAESH (ISIS)* overtook al Qaeda by a long way. Its determination took the Muslim world and the West by surprise. Abu Bakr al-Baghdadi, who is the self-proclaimed Caliph who set up an "Islamic state" in the lands he occupies, demands an oath of loyalty from Muslims throughout the world, as in the times when Baghdad was the center of the Muslim world.

LOYALTY THROUGH THE SUFFERING OF OTHERS

Upon visiting the region of Tizi Ouzou in Algeria, a country he used to love, Hervé Gourdel, an alpine guide, could never have imagined running into the bandits who kidnapped him and held him for ransom, attempting to blackmail the French authorities into stopping its bombing of DAESH troops.

He was slaughtered by the "soldiers of the caliphate," the people who had sworn loyalty to Baghdadi. But this oath was not enough, they had to demonstrate what they were capable of doing to prove their loyalty. This was shown through the beheading of →

Chronology of fundamentalism


1966

The Egyptian President, Nasser, had Sayyid Qutb hanged on August 29. He was an intellectual from the opposition party and leader of the Muslim Brotherhood. Nasser ruthlessly repressed thousands of Islamic and democratic opponents.


1969

Gaddafi rose to power in Libya through a coup d'état on September 29. The colonel deliberately maintained the tribal aspect of the country, financing terrorist movements throughout the world.


70s

In the end of the decade, Jihad and Islamic republic concepts became popular in the struggles and contaminated the Palestinian revolution, which had not used religion and especially not Islam as an ideology in the conflict.


1979

The Islamic Republic of Iran was born on February 1st with the advent of Ayatollah Khomeini, who one year before said that "Islam is politics or it is nothing." In the same period, the Afghans were expelling Soviet occupants in the name of Islam.


1998/01

The Taliban destroyed the Greco-Buddhist art of Gandhara and, in March 2001, destroyed the Grand Buddha statue in the valley of Bamiyan using dynamite.


2003

American troops entered Iraq on March 20. "Without this unlawful and senseless invasion – claims Ben Jelloun – this country would not have become the current site of destruction that it is, a center for international terrorism."

Hervé Gourdel, a man who loved the mountains. Loyalty to the self-styled Islamic state was demonstrated by shedding the blood of an innocent person. Algeria is conducting an inquiry and pursuing these assassins currently hiding in the forbidding mountains.

These jihadists have allowed themselves to become involved in a process of violence that kills and destroys everyone who is not on their side. Everyone is in their sights: Christians, Jews, Shia Muslims, and Sunnis who are not sufficiently fanatical, but democratic and lay. It is what the Algerian "soldiers of the caliphate" did on the afternoon of Wednesday September 24, 2014 to Hervé Gourdel when France did not respond favorably to their ultimatum. Now, we ask, how it was possible that the civilized world let itself be taken over by this band of assassins?

THE ORIGINS OF A GREAT ANOMALY

Historical catastrophes don't happen by chance. They are planned, and at times even announced. They cannot even be compared to other events in history. If one does a bit of research, it is possible to retrace their origins, how their preconditions were established, and the elements that promoted and prepared them. That's how it is, yet every time we are surprised and cry out at the horror as if we had never seen it before and have no memory of it.

The jihadist "Islamic state" of Abu Bakr al-Baghdadi has remote roots. We must go back to the times before this individual was born. In short, its origins can be traced to August 29, 1966, the day on which Egyptian President Nasser had Sayyid Qutb, an intellectual from the opposition party and leader of the Muslim Brotherhood, hanged. A martyr. In that period, Islam was not yet used as a weapon of war. Its values are opposed to those of Marxist and especially totalitarian progressivism. Nasser ruthlessly repressed thousands of Islamic and democratic opponents. Syria and Iraq followed the Ba'athist ideology, which was vaguely socialist and completely lay. But no Arab state was democratic. Power passed from father to son or was gained by violent conquest through coups d'état. A great admirer of Nasser, the young Gaddafi rose to power courtesy of a coup d'état on September 29, 1969. He did not turn his country into a modern state; on the contrary, he maintained its tribal character and financed terrorist movements around the world. The second important date was the birth of the Islamic Republic of Iran with the accession of Ayatollah Khomeini, who in 1978 proclaimed

that "Islam is politics or it is nothing."

In the same period, the Afghans were expelling Soviet occupants in the name of Islam. The following is known: American intervention sparked off the power of the Taliban, precursors of the barbarism. The culmination came with the destruction of the Greco-Buddhist art of Gandhara by the Taliban in 1998 and the destruction using dynamite of the Grand Buddha statue in the valley of Bamiyan in March 2001. There were very few protests and no official reaction from the Muslim world.

From the end of the seventies, jihad and the dream of an Islamic republic had become popular in the struggles and contaminated the Palestinian revolution, which had not used religion and especially not Islam as an ideology. In order to isolate Yasser Arafat, Ariel Sharon discreetly encouraged the creation of Hamas.

Shias and Sunnis opposed each other in Libya specifically, where Hezbollah was particularly active, and armed and funded by Iran through its ally Syria present on Lebanese soil. This movement is currently supporting Bashar al-Assad against lay and democratic rebels. At the same time, an agreement has been reached between Assad and jihadist leaders, who were spared from the bombardments of the former.

The lack of a real democracy in the Arab and Muslim world, the authoritarianism of illegitimate leaders and the accumulation of social injustices increased by corruption and arbitrariness have come together to give life to aberrations such as the current "Islamic state," which extends into part of Iraq and Syria and is threatening other countries in the region. But without the unlawful and senseless American invasion of Iraq in March 2003, this country would not have become a breeding ground for international terrorism. For this alone, George W. Bush should be tried by the International Criminal Court. But a former American President is not subject to justice.

The topic of al Baghdadi, his barbaric methods and his use of the media and social media fascinate and attract young people, not only from Arab countries, but also from Europe.

A question which makes us feel uncomfortable is often heard: does Islam preach this violence? We can answer by reminding ourselves of the history of Catholicism. But that would mean evading an embarrassing question. Obviously Islam preaches peace and tolerance, it fosters humanist values, but at the same time it includes talks about jihad, a struggle against non-believers, apostasy and other things that are interpreted in different ways. Everything is relative and everything depends on



WHAT WILL HAPPEN IN SYRIA?
A big question of the moment: Will the battle against ISIS favor Bashar al-Assad or hasten his downfall? Pictured: a market in Damascus.

glers and its middlemen. In this case there are lots of them and they come from neighboring countries. Some of them buy this oil at half price and sell it, others stockpile it waiting to cash in later.

America and France have understood that these sources of significant income must be taken out. They know that from what Obama said on September 28, 2014, what we refer to as "Islamic state" is powerful, well organized and determined. They are simply a lawless band of criminals, an organization with no belief.

The Gulf countries have a great responsibility as far as the rise and development of this phenomenon is concerned. It has overtaken Al Qaeda and has spread across the globe. Baghdadi's caliphate has other ambitions and a greater number of resources at his disposal. He received generous support from private individuals in Saudi Arabia, Qatar and Kuwait. Obviously, we don't have proof of this funding, even if everyone is talking about it. The authorities have closed their eyes to this aspect, thinking that a strong Sunni movement would annoy Iran, their lifelong enemy. However, it turned out that the caliphate had other plans: establishing an Islamic state, wherever possible. He began to ask the Muslim world to swear allegiance to him as if we were in the 7th century, when Islam started expanding. Very few met his demands. But the Muslim world, so diverse and complex, could not, in any case, reconcile itself with accepting an assassin as the representative of the Muslim people. The interests of the Americans and Westerners needed to be targeted directly to provoke a reaction. Baghdadi believed that beheading hostages like innocent journalists and filming these horrendous acts would make the American and French leaders give in. It had the opposite effect. Fortunately, five Gulf states (Saudi Arabia, Qatar, the United Arab Emirates, Bahrain and Jordan) joined this war. At the end of September, Turkey decided to become part of the anti-jihadist

the interpretation that you give to this or that verse. In spite of this, Islam itself has never incited suicide aimed at causing massacres, it has never said that hostages have to be taken and beheaded, it has never spread ignorance in order to disorientate weak or evil spirits.

Such crimes were committed in the name of Islam. It is up to Muslims to mobilize themselves to unmask these savages, but they are not doing it because they have doubts or they are scared or, worse still, they silently approve of what is happening. The jihadist "Islamic state" is a serious threat, not only for the entire Arab world, but for Europe as well. Thousands of European young people – some of Maghrebian origin, others who converted – currently find themselves in the frontline of the war that the pseudo Caliph is promoting. One day, they will return to Europe and slip back in unnoticed and take action. Because in the mind of Baghdadi and people like him, the struggle against the West is inevitable, just like the struggle against Arab countries that have not submitted to Islam. It remains to be known who is funding and arming this "state." It is imperative to remember that, unofficially, the Gulf countries supported certain movements in favor of an obscurantist and totalitarian Islam.

What can be done? If America and Europe do not make a greater commitment, in a few months we will see European jihadists sowing the seed of

An important date was the birth of the Islamic Republic of Iran with the accession of Ayatollah Khomeini, who in 1978 proclaimed that "Islam is politics or it is nothing"

terror in European cities like in the Maghreb (North/Northwest Africa). Radical Islam waged war on Europe and the Maghreb. The first American and French attacks have begun. But it would be a mistake to believe that they will be enough to place al Baghdadi and his followers in a position where they can no longer do harm. A joint policy involving the Arab world and the West needs to be established in order to stop these criminal aberrations.

The subject of Baghdadi needs to be taken seriously. If the necessary weapons are not used to combat him, if he is not annihilated militarily and physically, he will make advances and be the cause of misery for the surrounding countries and he will send his henchmen to murder innocent people throughout the world. Even if Islam has broad shoulders, it is important that Muslim countries are aware that this jihadist state is destined to destabilize them and ruin them. A rigorous investigation is needed to track down the source of

funding for this movement because the money stolen from the banks in Mosul was not enough on its own to support such a big army. The Arab countries need to wake up and come together, even just for this once, to isolate the barbarians, disarm them and bring them to justice. Otherwise, no one is safe any longer, anywhere.

ISLAMIC STATE OIL

On September 24, 2014 American air strikes targeted a dozen oil refineries located in Rakka and Deir ez-Zor, in the north-east of Syria, under the control of the jihadists. The "Islamic State" now controls about twenty oil wells situated in Iraq and Syria. Since private financiers from some Gulf countries had stopped helping them, the jihadists occupied the oil wells and related refineries pretty quickly. They sell a barrel of oil (which is worth approximately \$100 on the market) at between \$20 and \$60. This guarantees them a daily income estimated at between \$1 and \$2 million, more than enough to fund the war they have declared on the world. On September 28, the American army also hit Syria's main gas plant hard in order to destroy the financial resources of the jihadists. Who buys this oil and how? Every war has its traffickers, its smug-

THE IMAGE OF A BATTLE

The illustration, preserved in the Museum of Islamic Art in Cairo, depicts the detail of a text of the tenth / twelfth century.



coalition. This is significant because Turkey, on account of its geographical location and its links with the Arab world and with Islam, can play a decisive role in this war, especially in Syria. It could be an airbase from which to attack the DAESH positions.

The condemnation has grown. Saudi Arabia's Grand Mufti denounced Baghdadi repudiated his claim to being caliph. French Muslims displayed their categorical rejection of the DAESH by shouting "This is not Islam" during demonstrations. Youth movements demonstrated in London under the banner "Not in my name."

SYRIA AT THE HEART OF THE PROBLEM

The other question frequently voiced is whether the battle against the jihadists will favor Bashar al-Assad or hasten his downfall. The French eventually decided to support the Syrian lay and democratic opposition. Perhaps thanks to the war against the "Islamic state" (which is neither a state nor is it Islamic), the Machiavellian plan hatched by Putin and Bashar al-Assad will backfire: in the same way as at the start of the uprising of the Syrian people, at the time the people took to the square and demonstrated peacefully against the dictatorship of Assad (March 2011), the West did not react on the day that Bashar's army fired on the crowd and bombed civilian homes. The Syrian National Council was established abroad: it receives some political support, but does not have an army or soldiers, or at least not in sufficient numbers, and it has not received the weapons it asked for to respond to the onslaughts of Bashar and his army.

The strategy recommended by Putin was simple: infiltrate the lay opposition to the Islamic extremists and spread the message that it's better to opt for a country led by Assad than an Islamic republic that would immediately start killing all the Christians on

Several months have passed before world opinion pushed those in power to create an anti-DAESH coalition. It is up to the Iraqi army to fight on the ground against Islamic State

Syrian soil. From the time that about twenty Islamic commandos proclaimed that they were loyal to Al Qaeda, other movements like Al Nusra became involved in the Syrian conflict, weakening the lay and democratic opposition. It is thanks to this conflict that Baghdadi's jihadists infiltrated Syria and then Iraq, aided by former officials from the Iraqi army, Baathists nostalgic for Saddam Hussein and other opportunists who saw "the Sunnis taking revenge on the Shiites" through this movement, given that the Iraqi Prime Minister, Al Malki, did everything in his power to promote the Shiites over the Sunnis in the country. Through this awful, partisan and unjust policy, he clearly paved the way for the DAESH.

America and Europe's big mistake was to threaten Bashar al-Assad with revenge if he were to cross the line by using chemical weapons against his people. Bashar, probably on the advice of Putin, gassed thousands of Syrians, including a large number of children, in August 2013. Barack Obama became nervous, François Hollande got angry, and the whole world cried out at the scandal; everyone was ex-

pecting an immediate and sizeable response capable of removing Bashar al-Assad from the scene. But nothing happened. He received a telling off, was made to destroy what remained of the chemical weapons. The tens of thousands of people killed by conventional

weapons were forgotten about. This was a victory for Bashar al-Assad and for Putin, who systematically used his veto against any motion condemning the crimes committed by his Syrian friend.

Because America and Europe demonstrated their weakness, their hesitation, their lack of determination, an individual like Baghdadi felt empowered to advance with his mercenary troops, and he soon occupied part of Iraq and Syria. Western hostages had to be publicly beheaded before world opinion pushed those in power to create an anti-DAESH coalition. To date, the only attacks are air strikes. It is up to the Iraqi army to fight on the ground against the DAESH assassins.

DAESH AND ISLAMIC CULTURE

Like all religions, Islam has known periods of violence in which the Prophet Muhammad had to fight for the truth to triumph. He never proclaimed that innocent people should be killed or encouraged suicide attacks killing other people. Islam forbids almost any form of suicide: it means challenging the will of God. Com-

mitting suicide like the Jihad intends was never mentioned in Islamic texts.

What the DAESH is trying to do is to reinterpret Islam with present-day weapons. The texts have been taken out of context. The verses have been used randomly. The black flag is an aberration: what is actually written is the opposite; to say that "Muhammad is the messenger of Allah," they wrote: "Allah messenger Muhammad". This is all because the name of Allah cannot come after that of Muhammad.

Muslims know that innocent people are being killed in their name. Some of them mobilized themselves to denounce this deviation. The problem of young Europeans born following Muslim immigration or who recently converted to Islam and have joined the DAESH in Iraq and Syria remains. There are thousands of them (roughly one thousand are French). Some believe that fighting for jihad will guarantee them a place in paradise, others are attracted by adventure and war. They all have an identity problem and an unstable state of mind. The intention of the DAESH is to put them to the test in the arena of war and then send them back to their respective countries to commit attacks in the name of the caliphate and worldwide hegemony. European governments as well as those of the Maghreb fear the return of children who have been brainwashed and turned into commando fighters. The question of the caliphate and the establishment of an "Islamic state" will not end, even if the Americans and their allies manage to beat them.

* DAESH: Islamic State, as it is called in Arab and French-speaking countries.

Derived from the Arab acronym "al-Daoula al-ijlamiya fi al-Erak wal-Cham".



On www.abo.net, read other articles on the same topic by Daniel Atzori, Giuseppe Acconcia, Gianmarco Volpe.

Prices/The crisis in Iraq and its impact on crude

The optimism of the oil markets

After the escalation at the start of the summer, oil has dipped below \$100 per barrel, and so far the situation in the Middle East has had a limited impact on global oil supplies

BY PAUL BETTS



The geopolitical structure created by western powers in the Middle East from the remains of the Ottoman Empire after World War I is collapsing. Even before the stunning assault and advances of Islamic State of Iraq and the Levant (ISIS)

by PAUL BETTS

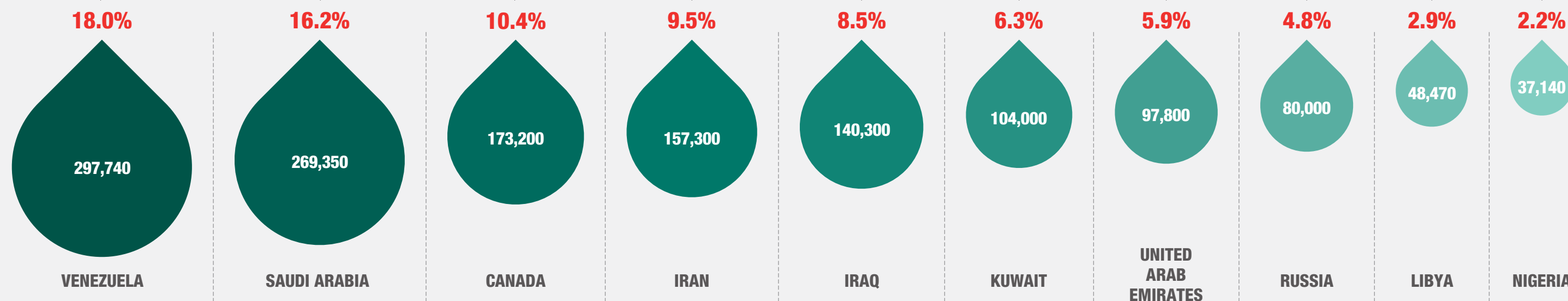
extremists this year in Syria and Iraq, the geopolitical architecture of the region was falling apart.

The civil war in Syria over the last three years has seen the embattled regime of Bashar al-Assad under siege from a mainstream opposition of Sunni militants backed by the U.S. and other western allies. It is now also coming under attack from ISIS, even though until recently it seemed that President Assad was providing the jihadist extremist movement support in his efforts to counter the mainstream Sunni opposition and his western enemies. In the north, the Kurds had also been intensifying their independence efforts before coming under a vicious attack from ISIS, which forced hundreds of thousands of Kurds to seek refuge across the border in Turkey. ISIS now controls large swathes of Syria's oil resources, which it has been selling on the black market to fund its operations. The recent intensification of air strikes and other military interventions by the broad U.S.-led coalition against ISIS may well contain and eventually debilitate significantly the terrorists and their efforts to set up a new Islamist caliphate. But the ultimate outcome is still more than likely to result in a radical redrawing of the map of Syria. This too risks being the fate of neighbouring Iraq. Following the U.S.-U.K. led invasion of Iraq and the collapse of Saddam Hussein's regime, subsequent efforts to establish a stable western-friendly government and reconstruct the country have failed. If these reconstruction and democratisation efforts had succeeded even in a minimal way, there would hardly have been the need for the U.S. and its other allies to resume bombings in Iraq. Again, whatever the outcome of the current campaign against ISIS, the fact is that Iraq is already split in three, with the increasingly autonomous Kurds in the north clamouring for outright independence and the establishment of a Kurdish state incorporating their Syrian cousins, the Sunnis in the middle and the Baghdad regime and its Shiite majority and supporters, not least neighbouring Iran, in the oil rich southern regions, which have so far largely been spared ISIS incursions.

Reserves: The Top 10

The world's top ten countries in terms of oil reserves—most are found in the Middle East. Syria is in 33rd place out of a total of 211 countries in the classification with 2,500,000 bbl.

Million barrels as at December 2013



THE CURRENT SCENARIO

This may in part explain why the oil markets and indeed the financial markets as a whole have so far adopted such a sanguine approach to the latest crisis provoked by ISIS. After spiking earlier this summer when ISIS took control of Iraq's second largest city, Mosul, oil prices have since dipped below \$100 a barrel. Are the markets underestimating the potential medium and longer-

term impact of this latest Middle East crisis or, as the old saying goes, "are the markets always right even when they are wrong"? So far, the current Middle East situation has had a limited impact on global oil supplies and as Professor Paul Stevens, an energy expert at the Royal Institute of International Affairs at Chatham House, London, points out, this situation "is unlikely to change unless Baghdad loses

complete control and Sunni ISIS forces are able to operate on a hit and run basis in the Shiite dominated south." According to BP, three quarters of Iraq's abundant proven reserves of conventional oil are in the Shiite south, while 17 per cent are in the largely Kurdish north. The average 3.5mb/d Iraq has been producing this year would easily be replaced by Saudi Arabia should the need arise,

while a possible breakthrough between Iran and the U.S. over Iran's nuclear dispute would eventually reopen Iran to international exploration and production that would eventually more than compensate for supply losses from Iraq once the necessary reconstruction of oil production facilities have been completed. "No one, however, should hold their breath on an imminent breakthrough on the Iran

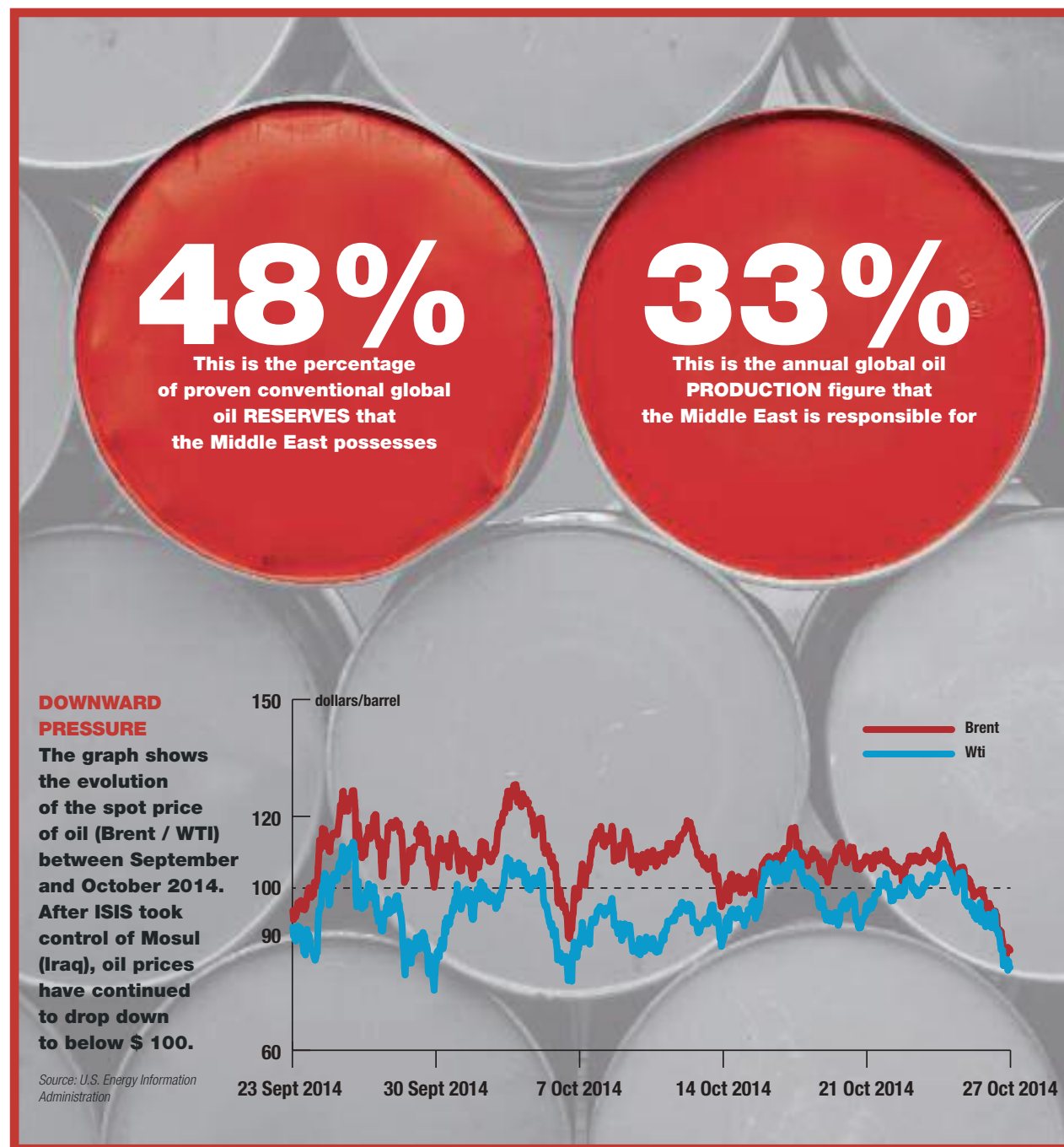
nuclear dispute," warns a senior U.K. diplomat. Yet as the well worn proverb goes: "The enemy of your enemy is your friend" and their could clearly be common ground between the U.S. and Iran in breaking up, or at least containing the ISIS expanding threat. On the other hand, a top U.S. military advisor recently told the U.S. Congress: "the enemy of your enemy may well still remain your enemy."

THE EXTENT OF THE IMPACT OF U.S. ENERGY SELF-SUFFICIENCY

Increasing U.S. energy self-sufficiency as a result of the U.S. shale and tight oil revolution is also regarded by many industry analysts as a reason for the Obama administration's less interventionist foreign policy towards the Middle East—that is until recent events that have forced the reluctant Obama to take

a lead in the anti-ISIS offensive. Furthermore, sluggish growth prospects in the west and signs of weakness in the growth prospects of emerging countries, especially China, have additionally eased concern over potential oil supply disruptions. Indeed, some experts have suggested that one way to undermine ISIS and its reliance on black market oil would be for OPEC to allow oil prices to drop →

Source: Eni, Oil & Gas Review 2014



significantly. Saudi Arabia could clearly orchestrate such a fall but is reluctant to do so given its reliance on oil revenues to fund its domestic social policies, its arms purchases and its support to the current military-led Egyptian government. The irony is that a dramatic fall in oil prices would also be unwelcome in Washington, given that U.S. energy self-sufficiency ultimately relies on a high oil price of around \$100 a barrel to ensure tight oil is economically viable to extract. U.S. energy self-sufficiency coupled with the widespread development of alternative energy sources may have lured western governments and policy makers into a sense of false security and indeed in some cases of complacency over Middle East oil supplies. Nonetheless, the Middle East still holds about 48 per cent of the world's proven reserves of conventional crude oil and accounts for around one third of annual global production. It is therefore a highly questionable assumption that the

global economy can survive at this particular stage a major disruption in Middle East oil supplies. That is why the stakes are so high in Syria and Iraq right now. Not so much in terms of the direct impact the present ISIS conflict in these two countries may have on oil supplies which, as we have seen, have so far been quite limited, but on the geopolitical knock on effects of this crisis and its implications for the future of the entire region, including Saudi Arabia, the Gulf emirates and last but not least Iran.

THE CONCEPT OF A FALTERING STATE IN THE MIDDLE EAST

The map of the Middle East is being redrawn. The old post-Ottoman order and one of the legacies of World War 1 led to the establishment of strong, albeit autocratic states in the region propped up by their western allies reliant on their expansive oil reserves. That order is now disappearing, as

throughout the Middle East the presence of the state is rapidly weakening. As Lord Michael Williams of Baglan, the former United Nations special coordinator for the Middle East peace process and subsequently the former UN coordinator for Lebanon until 2011 has written, Iraq and Syria are the two most obvious examples of the weakening, indeed collapse, of the concept of the state. But he adds there is considerable concern about Libya and Egypt. "The Arab uprisings of 2011 have led, with the exception of Tunisia, to weaker states which are unable to control either their territorial integrity or the loyalty of their people," he says. In Egypt, President Sirsi was elected in a lower turnout than the country's former civilian President Morsi. President Sirsi, like all his predecessors, is an army general. Mr. Morsi, by contrast, was the only civilian to be head of state in the 62 years of the Egyptian republic. Lord Williams also says that in Sinai and

elsewhere, the new government struggles to keep control. "But at least in North Africa the prospects of borders being redrawn is remote. In the Levant it is already happening." Lord Williams urges the international community, including the UN, to wake up to this "ominous development" which is now tearing apart the post-colonial order where strong states once prevailed in the Middle East.

For Albrecht Boeselager, the grand chancellor of the sovereign Order of Malta, which has been closely involved in humanitarian operations in the war torn Middle East, the region is now being plunged into its own re-enactment of the 30 Years' War—the 17th century war that was one of the most destructive conflicts in European history and one of the longest continuous wars in modern history. The parallels are indeed disturbing. Initially, religion was what sparked the 30 Years' War as Protestant and Catholic states fought each other even though many of them were or had been members of the Holy Roman Empire. The war then developed into a more general conflict involving most of the great powers of Europe. It became less specifically religious and more a power play for political pre-eminence in Europe. As a consequence, entire regions of Europe were devastated and denuded.

Mr. Boeselager notes that the 30 Years' War came to an end only when everybody became exhausted. Peace treaties were signed, European borders and spheres of influence were redrawn, but some of the quarrels that provoked the war went unresolved for much longer. It does not take much imagination to apply the same historical logic to the Middle East in its present parlous state, where conflict and terrorism in the name of religion risk destroying centuries of culture and destabilizing the planet.



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Paul Betts has worked for the *Financial Times* for the last 36 years, including 28 years as the paper's foreign correspondent in Rome, Paris, New York and Milan. He is currently based in London.



Oil industry/The differences between north and south

An uncertain future

While southern oil sector has been able to proceed effectively to date, political uncertainty in Baghdad has meant further delays for the shared infrastructures essential to the country's ability to exploit its oil potential. The coming months will be of vital importance in this regard

by BASSAM FATTOUH and BILL FARREN-PRICE

Iraq is facing a list of formidable challenges that is growing by the day. One third of its territory is under the control of Islamic State (ISIS) fighters, the Kurdish north is struggling to protect its territory and keep its international oil partners in place, a new Prime Minister in Baghdad is grappling with a political

remit for an inclusive government, and sectarian fault lines within the population are deepening, as are regional disagreements on how to tackle the ISIS threat.

The current crisis in Iraq has many fathers—the Western intervention in 2003 and the subsequent dissolving of the Iraqi army, the partisan approach of former Prime Minister Nouri al-Maliki's government and spillover from the civil war in Syria. Each has played a part in deepening sectarian fault lines. The coalition of Western and regional powers who have come together to confront the ISIS threat is impressive in terms of its political balancing act. Gulf states are supporting the military campaign against IS, but the tensions in this arrangement are just below the surface. Sunni GCC states are aware that they risk inflaming unrest at home by attacking a Sunni Islamist movement that has so far proven to be an adept recruiter of disaffected youth in the region and further afield. To date, the jury is still out on whether air strikes alone can do enough to halt the military progress of IS, whose ability to take and hold territory from Syrian and Iraqi government forces has surprised even those with an intimate knowledge of the region.

Despite years of training and investment by the West, Iraq's army has proven ineffective and with no Defence Minister and a hollowed-out officer class, the short-term prospects for improvement are bleak. Despite the coalition air attacks, latest reports have ISIS units within shouting distance of the outskirts of Baghdad.

THE FUTURE OF THE OIL INDUSTRY IN IRAQ

Western ground troops appear to have been ruled out, so we should expect that the outcome of this latest conflict will be decided on the extent to which the Iraqi army and its Kurdish counterparts can deliver not just an immediate containment of ISIS, but also a strategic offensive that would force them out of the population centers in the middle and north of the country. Those with military experience in the region are not optimistic. According to former head of British armed forces General Lord Richards, ISIS are "a tough conventional army — and know how to fight with tanks, artillery, and infantry." Richards said that ISIS will not be defeated through the present strategy and added that no local forces would be up to the job of confronting them on the battlefield for years. Under these conditions, does Iraq's oil sector have a future and are the expansion plans that were

intended to make the country an oil powerhouse to rival Saudi Arabia any more than wishful thinking? Put another way, can we rely on Iraq to provide the incremental oil production that is so critical to most analysts' long-term oil balances? The outlook for Iraqi oil depends very much on where you are standing. North of the capital, the bulk of new upstream activity is centered on

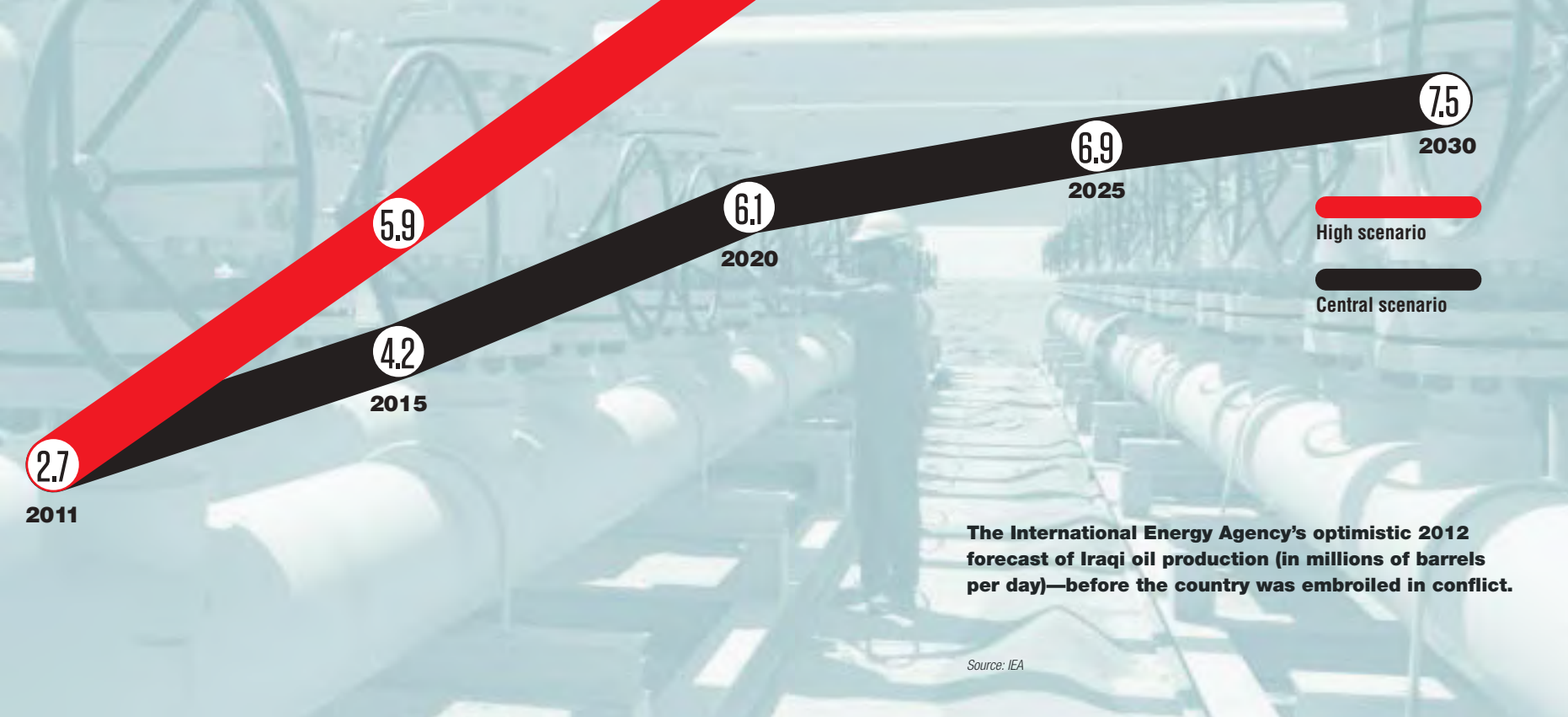


The number, in thousands of barrels of oil per day, that the Government stated were exported via Ceyhan

territory controlled by the Kurdish Regional Government (KRG), which has its own resource management and export plans. The collapse of Iraqi government forces in the north in mid-summer initially appeared to deliver the KRG a huge political and economic dividend, by allowing Kurdish administrative control to extend to formerly disputed territories around Kirkuk and Nineveh.

The Kurdish government in Irbil also saw an opportunity to reinforce its claim to proceed with independent oil exports, a sensitive issue that lies at the heart of the years-long confrontation between the KRG and the federal government in Baghdad. The KRG also claimed it would be able to deliver a secure export route for Iraqi Kirkuk crude, whose exports have been suspended for months due to unrelenting attacks by ISIS forces on the northern pipeline through Turkey. The oil fields that feed into the shut-in Kirkuk export system in Iraq proper also supply crude to the Baiji refinery complex, which has become another casualty of the fight with ISIS—an uneasy truce between government and ISIS forces keeping the complex shuttered now for weeks, and forcing Baghdad to import extra gasoline, diesel and LPG to meet domestic needs. KRG oil export targets are certainly impressive: Irbil initially planned to raise its oil exports to 400,000 barrels per day (b/d) by the end of 2014. Longer-term targets are for 2 million b/d of exports by the end of the decade.

If it were not for the crisis



The near-term target will not be met due to the disruption caused by the withdrawal of international staff in the face of the nearby fighting. In mid-June, the KRG said it was exporting 125,000 b/d via Ceyhan, on top of the 60,000 b/d crude and products trucked to neighbouring Iran and Turkey. Project expansions at Taq Taq and Tawke should, however, make total oil exports of 300,000 b/d possible by year-end. Whether Kurdish officials can persuade their Baghdad counterparts to allow exports of Kirkuk oil via the KRG is another matter and is likely to be bound up in discussions over a



The number, of thousands of barrels of oil per day, that Kurdistan should be able to export by the end of the year with the expansion of the Taq Taq and Tawke oil field projects

wider political settlement between Iraq's federal government and the KRG. There are also technical reasons why it would be difficult to pump Kirkuk crude via the new Kurdish pipeline to Turkey. For now there are insufficient pumping stations on the line—and the Kirkuk crude would need to be batched to avoid mixing with the different quality Kurdish crudes. Meanwhile, ISIS has attempted to produce oil from the heavy oil fields under its control in northern Iraq. Press reports suggest that it has been able to produce and refine limited quantities of oil, using the off-spec products to fuel their military surge, or selling them via a network of traders to neighbouring countries.

These homemade refining operations are unlikely to have survived the early stages of the air campaign, but point to a certain degree of ingenuity, organisation, and the ability to use and expand existing smuggling networks established in Saddam's time to raise finance for the ISIS campaign. In the south, where the bulk of Iraq's oil reserves and production are located, the picture is somewhat different. The expansion of production and exports has been able to proceed with very little interference, and exports have been sustained at 2.4-2.6 million b/d through the last few months. While

the picture so far is positive, the long-term problems that are limiting Iraq's southern exports are unresolved, with at least 200,000 b/d of southern production bottlenecked by insufficient midstream and export infrastructure. Despite the turmoil in the north, the southern mega oil projects have been broadly successful at expanding output this year. Iraq's international oil partners have renegotiated service contracts, reducing plateau production targets and extending their duration. The problem in the south is that joint infrastructure, whether terminal storage and pumping capacity, water availability or gas handling, remains well behind schedule. Water injection is one of the most urgent issues. The delayed Common Seawater Supply Project, which is needed to deliver essential injection water to the Rumaila, Zubair and West Qurna 1 projects, is not expected to start up before mid-2018 at the earliest, implying a period of flat-lining output for those projects after 2015. Current water injection at Rumaila and Zubair relies on the revamped Qarmat Ali intake station on the Shatt al-Arab waterway, which is being expanded. Further out, West Qurna 2, Majnoon and Gharraf will need water injection at the end of the decade when they approach plateau output. The common seawater proj-

ect is vital to maintaining the reservoir pressure in these oil fields needed to meet and sustain production plateau. But delays in agreeing on the scope of the \$5 billion first phase of the water project is holding up progress. The ability to transport crude to the southern export terminal at Basra and then load it is also



Millions of barrels per day exported in the south of Iraq

bottlenecked by the absence of sufficient storage and the limitations of the existing pumps. Plans to install additional tanks and a gas turbine-driven pumping system will not be complete until 2017 at the earliest. Despite years of work to harness flared gas in the south, power cuts are still frequent and progress on gas

gathering and processing to feed power plants has yet to be build momentum.

AN OIL INDUSTRY ADEQUATE FOR THE RESOURCES OF THE COUNTRY

Iraq's plan to build out its oil industry to match the subsurface resource base will also require coordination with its producer neighbours. In today's well supplied market, the State Oil Marketing Organization (SOMO) has been forced to discount crude heavily to win buyers in Asia, helping drive discounts from competing Gulf producers. That policy is not sustainable and Iraq will at some point have to sit down and negotiate a staged expansion of its oil production that does not risk pressuring global oil prices. Aside from Iraq's internal challenges, there are external factors that will influence the speed of development in the oil sector. The development of unconventional oil and gas is having a dramatic impact on global oil balances. Despite Iraq's significant cost advantage over shale oil in the US and oil sands in Canada and elsewhere, sustained high oil prices around \$100/barrel have incentivised oil companies to focus their efforts in regions where security and political risk are much lower.

Nevertheless, Iraq still plays a particularly important role in setting oil price expectations in the medium and long term. Before US tight oil burst onto the scene, Iraq was to be the main contributor to global oil supply growth this decade and next. This is why, in terms of the potential to add significant production volumes over a five-to-ten year period, Iraq is still the biggest part of incremental supply. Indeed, to get the long-term global oil market to balance anywhere near current prices rather than far above, most analysts require a significant supply-side contribution from Iraq. For instance, back in 2012, the IEA predicted that Iraq's oil production would reach 5.9 million b/d by 2015 in their high case scenario and 4.2 million b/d in their base scenario. By 2020, output would more than double to 6.1 million b/d in their base case or reach a staggering 9.2 million b/d in their high case. The latest round of violence has definitely resulted in a shift in the market's mind-set. Today, Iraq's output is at 3.3 million b/d and it is unlikely that production will average much more than that this and next year as the improvement in the south is offset by losses in the northern fields. Even before the insurgency and the latest round of violence, some optimistic forecasts were starting to acknowl-



Millions of barrels per day of Iraqi oil production to date

edge the plethora of challenges (security, infrastructure and bureaucratic) that Iraq faces today. There is a realization that it is the more subtle, long-term effects of regional political instability that are likely to leave the most lasting mark on regional oil and gas markets. Potential repercussions are likely to be felt through several years of an unstable regulatory and investment environment, deteriorating security situation, and delay of much needed energy market reform impacting long-term production and export capacity. Iraq's immediate and foremost challenge is political.

If Iraq's new Prime Minister, Haider al-Abadi, can successfully pull together a cross-sectarian government that wins the support of the Sunni tribes, there is hope that the government will over time be able to reassert control over the country's north and its borders. Further prevarication by the country's political leadership is simply not an option. While the southern oil sector has been able to proceed effectively to date, political uncertainty in Baghdad will translate into further delays to the common infrastructure so critical to allowing Iraq to meet its oil potential. The coming months will be crucial in this regard.

Bassam Fattouh, in addition to his role as Director of the Oil and Middle East Programme, is also Research Fellow at St Antony's College, Oxford University; and Professor at the School of Oriental and African Studies.

Bill Farren-Price is Founder and CEO at Petroleum Policy Intelligence. In the past, he was Director of Energy and MENA Countries at Medley Global Advisors, Deputy Editor at Middle East Economic Survey (MEES) and Senior Energy Correspondent at BridgeNews.



Israel/Avi Pazner, diplomat and political expert

Fear beyond the Territories

While Jerusalem views the Middle East crisis with apprehension, it's encouraged by the resolve shown by western forces in response to ISIS. Offering Iran the opportunity to become stronger is a bad idea

The silence that until now has distinguished Israel's behavior with regard to the turbulent and violent development of the Middle East crisis has been deafening. While Jerusalem has observed the advance of the Islamic State with apparent indifference, it's reasonable to surmise that for the time being, Israel's leaders prefer not to fuel the conflict fur-

ther by taking on an active role. Obviously, Israel is not looking on quietly at the introduction of international coalition forces ready to halt the advance of ISIS with Iran involved. The former Israeli ambassador to Italy and France, Avi Pazner, very familiar with the delicate equilibrium in this area that is always under siege, confirms this fear.

Ambassador Pazner, looking at the crisis in the Middle East, the world is trying to understand the

positions of the neighboring countries in the conflict area. Some are interested in energy sources, controlled by the Islamic state, while others are scared of losing visibility after a possible easing of relations between the United States and Iran. What is Israel's position with regard to this possible change in the geopolitics of the region?

In my opinion, the main problem

with the Middle East region, at this time, is instability; since I started following international politics 50 years ago, I cannot remember such an explosive situation. Some major countries like Syria, Iraq, Libya and Yemen are no longer ruled by normal governmental systems, but by terrorist type pseudo movements, with different names, some of which are allied to the new Islamic State, and others which retain close ties with al Qaeda. The entire Middle East is pervaded with and threatened by fundamentalist factions that

aim to destabilize the region and are unfortunately able to count on the loss of power and legitimacy of central governments. This poses a very serious threat to the entire region. Faced with this scenario, many believe that the intervention, even military intervention, of Iran could bring a solution to the crisis. In our opinion, in reality, Iran is part of the problem and not the solution. A radical Islamic government is installed in Teheran which, according to us, has not abandoned its plan to develop nuclear weapons. Iran's

current willingness to support action by America and Western countries, in our opinion, conceals an obvious aim: in exchange for support in this battle against the terrorist movements, Teheran is asking the West for greater openness toward its nuclear program, also under the scope of the ongoing negotiations in Geneva. Iran has, until now, rejected all the proposals put forward by Western countries that do not involve the production of nuclear weapons, not even in the future. Israel is looking at this situ-

ation with great concern, on the one side seeing the destabilization of the Middle East at the hands of Islamic movements and, on the other side, fearing the emergence of Iran threatening not only Jerusalem, but all the Gulf countries. For this reason, we believe that it is a mistake to allow Iran into this conflict.

To what extent do you think that the Islamic State is also led by energy interests and the need to control energy sources to consolidate its hegemonic positions in the area and support its terrorist strategy?

What I should like to say is that while the energy goal is not the main reason these terrorist groups exist and operate it is obvious that they are not present in petrol extraction areas in both Iraq and Syria by chance. It is obvious that even clandestine trading of these resources is designed to support the caliphate economically, flogging the oil at a quarter of the official price, and for this reason American air raids struck the energy installations first of all in order to prevent ISIS from gaining even more power. I believe that the West, America and moderate Arab countries will manage to beat the Islamic State, in spite of the fact that it will take many months, perhaps even years, but in the meantime, control of the energy market in the north of Iraq and in the east of Syria cannot be allowed to fall into their hands. I would like to reiterate that the endgame of the advance of ISIS is the establishment of a great Islamic nation from the Maghreb to Iraq, and that includes control of energy sources. Since, however, America, Western countries and more moderate Muslim countries, such as Saudi Arabia, Jordan, the United Arab Emirates and Egypt oppose it, I imagine and I hope that the impact on the energy side will have moderate repercussions.

Do you believe that Iran, playing a part as a collaborator alongside Western countries with whom its relations have been, until now, at odds, is aiming to get the embargo on the sale of oil revised?

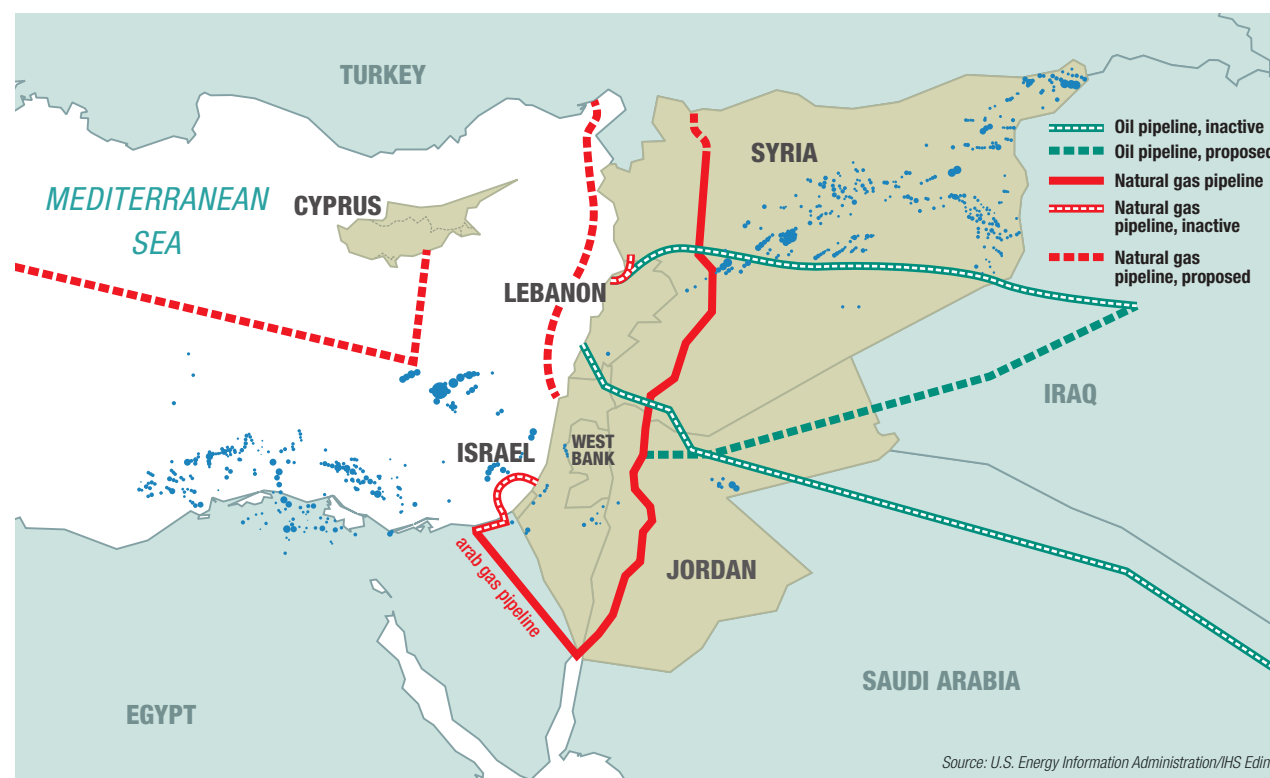
I have already pointed to the nuclear sector in which Iran has been operating for some time and about which new negotiations are currently taking place. I would imagine that a further rapprochement between Iran and the West could alleviate the sanctions affecting the Iranian crude oil market, making Iran stronger as a result. The Tehran government has implemented a very sophisticated

strategy in the knowledge that air strikes alone are not enough to overcome the terrorists; ground attacks are also needed. America and European countries are not ready to intervene with ground troops, while Iran is extremely willing. ISIS is demonstrating inhumane cruelty, but it would be very easy for Iran to engage in a counterattack with ground troops, especially if the counterattack provided the way for them to sell their oil freely. In my opinion, offering Iran the opportunity to become stronger in the Middle East is not a positive prospect.

What do you think Israel's reaction would be if faced with a situation in which the Middle East were to grow



AVIEZER "AVI" PAZNER is an Israeli diplomat and political expert. He joined the Israeli foreign service in 1965. He served as counsellor at Israel's Embassy in Washington, headed the Foreign Ministry's Press Division and served as Ministry Spokesman from 1981. In 1986 he was appointed senior advisor to Prime Minister Yitzhak Shamir. In 1991, he was appointed as Israel's Ambassador to Italy. He headed the negotiations with the Vatican, which resulted in the establishment of diplomatic relations with Israel. In 1995-1998, he served as Ambassador to France and was decorated by President Chirac as Commandeur of the French Légion d'honneur. Pazner is ambassador at large.



The power of the Levant

Offshore oil and natural gas discoveries in the Levant Basin - defined as Cyprus, Israel, Jordan, Lebanon, Syria, and the Palestinian Territories - have the potential to significantly alter energy supply dynamics in the eastern Mediterranean. This region is currently undergoing changes to its energy landscape. With expected economic growth, and the population of the region forecast to grow between 58 and 62 million in 2030, energy demand should increase noticeably over the next two decades.

stronger through an increase in oil exports?

A scenario of that sort would definitely bring about a rapprochement between Israel and moderate Arab countries, which share the same concerns, especially with regard to a possible advance of Iran. I predict a consolidation of relations with Saudi Arabia, with whom in recent years relations have been rather "cold" but which, on the contrary, now sees us being committed to a new round of talks, albeit informal, or with the Arab Emirates. Obviously, Israel might also wish to strengthen its ties with Egypt and Jordan, trying to create an alliance, even if it is not formal by nature, based on the shared goal of not granting Iran the hegemony that it is looking for in the Middle East, and which Tehran is currently trying to obtain by offering its help to the West.

Do you believe that Israel could suffer negative repercussions with regard to energy as a result of the current crisis?

Frankly, no. Israel has carried out a great deal of exploration in the Mediterranean along its coasts and found huge reserves of natural gas. In a few years we will be totally independent, also thanks to investments made in photovoltaic energy. Israel does not have an energy procurement problem; memories of the energy crisis in the early seventies during the Yom Kippur War, when we suffered from a harsh embargo, are distant, but in that case the problem was on a global scale. Israel can currently get all the energy it needs easily and, I believe, that in two or three years we will achieve full energy self-sufficiency.

GAS RESERVES IN EAST MEDITERRANEAN

Country	Discovery date	Field name	Estimated reserves (Tcf)*	First volumes
Cyprus	2011	Aphrodite	7	2017
Israel	1999	Noa	00.04	2012
	2000	Mari-B	01.05	2004
	2009	Dalit	00.05	2013
	2009	Tamar	10	2013
	2010	Leviathan	18	2016
	2011	Dolphin	00.08	unknown
	2012	Shimshon	00.03	unknown
	2012	Tanin	01.02	unknown
	2013	Karish	01.08	unknown
Palestinian Territ.	2000	Gaza Marine	1	unknown

Source: estimates AIE, IHS, Oxford Institute for Energy Studies, Oil & Gas Journal

* thousands of billions of cubic feet

How worried are you about the threat presented by ISIS and other terrorist organizations?

We are obviously very worried by these threats and this, as I said previously, confirms the extreme instability of the situation. The danger does not only come from terrorist organizations, but also from

some countries in the Middle East region. I believe, however, that military intervention, especially thanks to the commitment of the United States and other Western countries, can produce a very positive result in the war against Islamic terrorism. In the meantime, we are all going through a time of great uncertainty which could fuel further conflicts, like the one we were involved in in the summer against Hamas, a branch of the Islamic tree which has branches in Lebanon and other Gulf countries where there are very significant energy reserves, like Bahrain, for example, where in spite of the fact that a moderate government is in power, the terrorist danger could still take root. I am, however, more than certain that, thanks to the determination demonstrated by the forces in the field, victory over the terrorist cruelty of ISIS is absolutely within the reach of the West.



Turkey/At the boundaries of conflict

The view from Ankara

For Recep Tayyip Erdoğan's special advisor, the decision to adopt a no-fly zone and offer a safe haven for Syrian refugees is an effective way to empower the moderate Syrian opposition

by IBRAHIM KALIN

The extremism of ISIS in belief and practice is a despicable phenomenon that must be contained and condemned. But it should also be acknowledged that ISIS is only a symptom of a larger problem - a problem that goes to the heart of the extremisms of the modern world, the failure of the international system, the

sense of despair and nihilism, political and economic injustice and the uneasy relationship between tradition and modernity. ISIS continues to advance to new territories in Iraq and Syria. After ISIS was stopped at the borders of Iraqi Kurdistan, it began to move toward Baghdad again, making significant advances toward the Iraqi capital as of this writing. It remains in control of Mosul and other swaths of territory. It will not be a big surprise if ISIS makes a surprise attack →

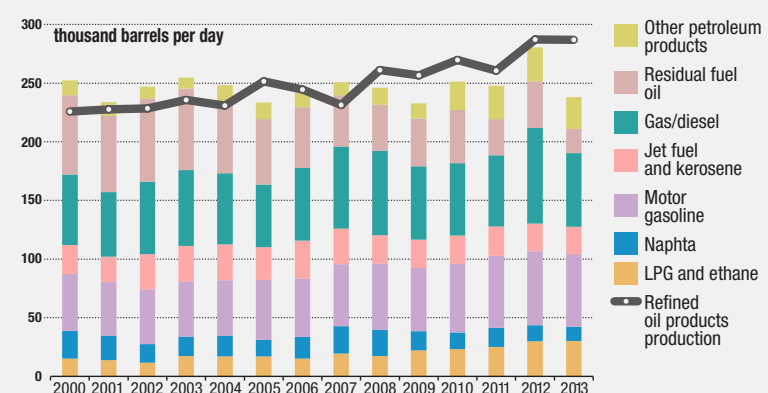
Israel's energy numbers

Reserves: 12 million barrels as at 31 December
Consumption: 244 thousand barrels/day

Reserves: 214 billion cubic metres as at 31st December
Production: 6.33 billion cubic metres
Consumption: 6.84 billion cubic metres
Import: 0.50 billion cubic metres

Source: Eni Oil&Gas Review 2014

OIL PRODUCTS DEMAND



Source: IEA, Enerdata

on Baghdad when the world's attention is turned to the Syrian city of Kobani, also known as Ayn al-Arab. It is no secret that ISIS received support from the Assad regime starting in the spring of 2013, when the Free Syrian Army (FSA) took major hits in the battle. This was also when the international community failed to provide help. ISIS moved into territories cleared by the Assad regime's aerial strikes, whose main targets were the FSA and other opposition groups. As ISIS took control of much of the north of Syria, Assad felt secure because ISIS territories created some sort of a buffer-zone between Damascus and the opposition-held areas in the north.

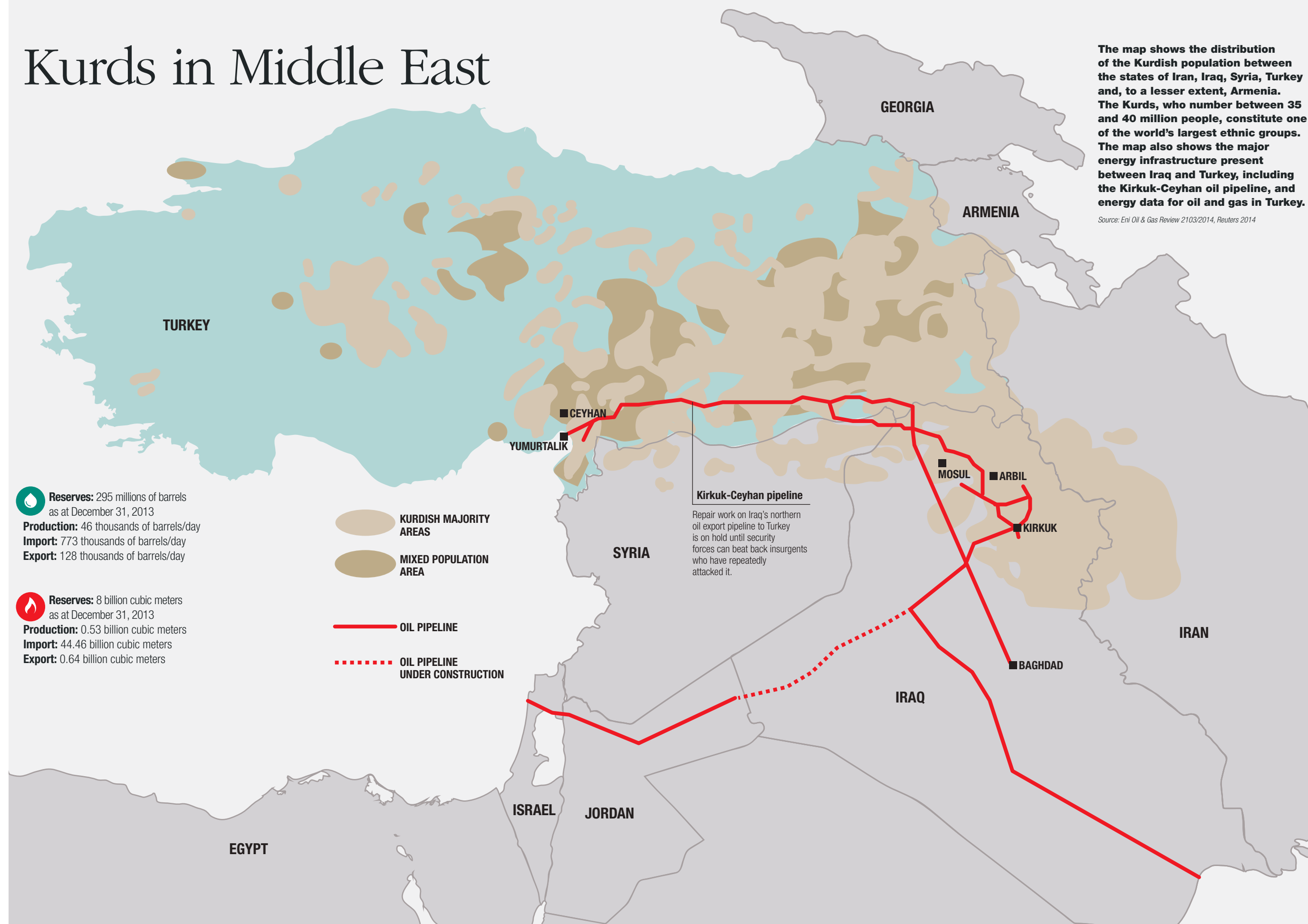
FOR ASSAD, ISIS IS A TOOL FOR WEAKENING SYRIAN OPPOSITION

The Assad regime and its allies find ISIS a helpful tool; a useful idiot that can be employed against the moderate Syrian opposition to divide and weaken it.

ISIS is also an effective instrument in Assad's propaganda war; its scenes of beheadings, barbaric and horrible as they are, manage to overshadow the killing of more than 250,000 people by the Assad regime. It also provides a cover, though a temporary one, for the war crimes and crimes against humanity perpetrated by Assad and his commanders. The fight against ISIS in Iraq and Syria is gaining momentum and should continue. But questions remain about the larger strategy against ISIS. What will be the extent of the operations? Will they be limited to hitting ISIS targets alone or will the strategy include taking serious measures against the Bashar al-Assad regime that is responsible for the environment in which ISIS flourished in the first place? Will the new Iraqi Government be able to establish a new security and political architecture to secure all Iraqi cities and serve all of its citizens? While the world's attention has been focused on Kobani, the Assad regime continues its bloody war. Most recently, the regime killed scores of people in Damascus and dropped barrel bombs in several cities.

More people are fleeing Syria, adding to the number of millions of refugees and internally displaced people. With the rise of ISIS, the Assad regime has not become a lesser security threat for the Syrian people and neighboring countries. To the contrary, the carnage and chaos it causes continues to be one of the most fertile and disastrous breeding grounds of extremism in the Middle East.

Kurds in Middle East



The map shows the distribution of the Kurdish population between the states of Iran, Iraq, Syria, Turkey and, to a lesser extent, Armenia. The Kurds, who number between 35 and 40 million people, constitute one of the world's largest ethnic groups. The map also shows the major energy infrastructure present between Iraq and Turkey, including the Kirkuk-Ceyhan oil pipeline, and energy data for oil and gas in Turkey.

Source: Eni Oil & Gas Review 2103/2014, Reuters 2014



THE AUTHOR

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Iraq. As for Syria, the root cause of the problem is the prolonged civil war that has claimed tens of thousands of lives and created one of the greatest humanitarian catastrophes in recent history. It is clear that Mr. Assad can no longer be part of the solution in Syria. He has failed his own people, turned against them and continues to kill them in cold blood. It is a moral responsibility and political imperative to stop this massacre in Syria. Otherwise, groups such as ISIS will find fertile ground in the chaos and anarchy that is Syria today.

HOW IS THEIR TURKISH NEIGHBOR BEHAVING?

The recent violence along the Turkish-Syrian border forced tens of thousands of people to flee to Turkey. In just three days, Turkey accepted more than 150,000 people from Kobani/Ayn al-Arab alone. This is more than the number all European nations accepted from Syria over the last three years. Currently, Turkey hosts about 190,000 residents of

Kobani/Ayn al-Arab. Recently, Turkey has allowed Peshmerga soldiers from the Kurdistan Regional Government of Iraq to go to Kobani to help defend the city. A number of forces from the Free Syrian Army are fighting against ISIS in Kobani. Syria's Kurdish Democratic Union Party's (PYD) claim to hegemonic control of the city is neither realistic nor fair. Kobani/Ayn al-Arab, like all other Syrian cities, belongs to all Syr-

ians, including its primarily Kurdish residents. Creating a de facto situation for control politics is counterproductive. Furthermore, the PYD still needs to come clear about its shady relationship with the Assad regime on the one hand, and the outlawed PKK terrorist organization on the other. Having said this, it should be emphasized that Turkey has nothing against the Kurds of Syria. As a matter of fact, it was President Er-

dogan who, as prime minister, raised the issue of recognizing the citizenship rights of Syrian Kurds with Mr. Assad in 2009 and 2010 before the Syrian war began. Moreover, Turkey has excellent relations with Iraqi Kurds and is conducting a comprehensive peace process with Turkey's Kurds, ensuring their fundamental constitutional rights and providing services in ways that were impossible until a decade ago. The problem is

not the fundamental rights of Syrian Kurds, but rather the PYD's opportunist politics and questionable alliances. A comprehensive and integrated strategy is needed to counter the extremism of ISIS on the one hand and the carnage of the Assad regime on the other. Turkey's call for a no-fly zone and a safe area for Syrian refugees will help both the Syrian refugees and empower the moderate Syrian opposition – a task to

which the allies including the U.S. and Turkey have already committed themselves. Establishing a new security structure and generating an inclusive political environment in Iraq is key to returning Iraqi territories under ISIS to its lawful owners. Much of the sympathy that ISIS has gathered in Iraq is due to the sectarian and oppressive policies of the Maliki era. The new Iraqi Government deserves our support for a new beginning in



On www.abo.net, read other articles on the same topic by Nicolò Sartori, Fabio Squillante.

Kurdistan/Implications and consequences of the rise of the caliphate

Independence: trapped in a dream



THE AUTHOR

Mohammed Shareef is a fellow of the Royal Asiatic Society (London). He has worked for the UN and is a visiting lecturer at the University of Exeter in the United Kingdom and a lecturer in International Relations at the University of Sulaimani in the Kurdistan Region of Iraq. Mohammed completed his PhD in International Relations at the University of Durham and has an MSc in International Relations from the University of Bristol in the United Kingdom. His research interests range from US foreign policy towards Iraq and the Kurds to US policy towards the Middle East in general. He is the author of the book "The United States, Iraq and the Kurds: Shock, Awe and Aftermath" published by Routledge on 12 March 2014.

The crisis in Iraq offered the Kurds a historic opportunity. When ISIS took over Mosul, many Kurds believed the time to determine their own fate had arrived. Were they right?

The rise of the so-called Islamic State (ISIS) presented the Kurds with both opportunity and risk. When ISIS took over the major Iraqi city of Mosul on June 10, 2014, the Kurds knew that times had changed. Nechirvan Barzani, the Prime Minister of the Kurdistan Region, stated very clearly that there were essen-

Minister of the Kurdistan Region, stated very clearly that there were essen-

tially two phases in Iraq's post-Saddam history: "before Mosul and after Mosul." He was right. For the Kurds it was clearly a historical opportunity. In an interview with CNN's Christiane Amanpour in June, Masoud Barzani, President of the Kurdistan Region, said that it was time for the Kurdish people to practice their right to self-determination: "The time is here for the Kurdistan people to determine their future and the decision of the people is what we are going to uphold." He declared that an official ref-

erendum would be held and that the people would decide, regardless of any regional or international opposition. He told the Kurdish Parliament, "The time has come to decide our fate, and we should not wait for other people to decide it for us."

THE CONDITIONS FOR SUCCESSION

Since the overthrow of Saddam Hussein in 2003, the Kurds have stressed two major requisites to stay within the

confines of the artificial borders of the Iraqi state. Firstly, genuine power-sharing arrangements, manifested in democratic practice, full implementation of the nationally ratified permanent Iraqi constitution and broad national consensus in Baghdad. Secondly, a peaceful Iraq absent of violence and civil war. Bayan Sami Abdul Rahman, the Kurdistan Regional Government's High Representative to the United Kingdom has repeatedly stated that if Iraq reverts to dictatorship or is plagued by civil strife, then

the Kurds will ultimately secede. Both these conditions have now been realized. Contributing to this outcome was the Shiite-dominated, divisive, authoritarian and sectarian government in Baghdad that has refused to send Kurdistan's share of the national budget since February 2014, denied funding of the Kurdish forces (known as the Peshmerga) since 2006, and rejected Kurdish administration over the natural resources situated in the Kurdistan Region. Baghdad also failed to recognize constitutionally mandated

Kurdish rights to oil exploration, signing of contracts and independent oil sales by the Kurdistan Regional Government (KRG). Finally, Baghdad has also failed to implement Article 140 of the Iraqi Constitution, designed to reverse Arabization policies implemented by Saddam Hussein's regime. These factors exacerbated already existing tensions between Baghdad and Erbil. Iraqi Prime Minister Nouri Al-Maliki's government's dealings with the sizable Sunni minority have been no →



MASOUD BARZANI
President of the region
of Kurdistan (June 2014)

"The time has come for the Kurdish people to take their future into their own hands. We will support the people's decision."

less controversial. Maliki's marginalization, exclusion and persecution of the Sunni Arabs led directly to the rise of the "Islamic State." What happened on June 10th was the climax of a Sunni Arab uprising, a consequence and creation of Baghdad's misguided policies in refusing to engage and alleviate Sunni grievances since Saddam Hussein was overthrown in April 2003.

This latest Sunni uprising traces back to the Hawija revolt in May 2013 – a clear message the Maliki government refused to notice in an extremely volatile situation that ultimately exploded out of control. After ISIS made a huge incursion into Kurdistan, capturing huge swathes of Iraqi Kurdish territory on August 3rd, the achievable and not so distant dream of independence suddenly changed to struggle for mere survival. ISIS had overrun Kurdish forces in the western Iraqi Kurdish towns of Sinjar and Makhmour, and had surged as far as the Gwer district, only 31 miles from the Kurdish capital city of Erbil. And suddenly the unblemished reputation of the Kurdish Peshmerga as battle-hardened, fierce and undefeated fighters came into question. Kurdish aspirations for independence suddenly seemed crushed in the aftermath of Sinjar. But this unfortunate turnaround, mostly result of the ISIS incursion, unexpectedly provided the Kurds with both unprecedented opportunity and major roadblocks. On the one hand, plans for an independence referendum were abruptly put on hold. On the other hand, however, the cold Western reception to Kurdish calls for independence (in early June) were neutralized and replaced by huge Western concern for the protection of the Kurdistan Region. Almost overnight, NATO and the E.U. found on their eastern border a radical Islamic caliphate determined to destroy the West. After the Kurdish defeat in Sinjar, the West realized that they could



not afford nor would it be in their interest to lose Kurdistan – a pro-Western, largely democratic, largely secular, and economically prosperous entity in the Middle East. To this end, major Western powers and in order to halt and repel ISIS advances, promptly provided humanitarian assistance, air attacks and weapons to the Kurds. President Obama, who had, for most of the time been intentionally passive and disengaged from the Middle East, especially so since the U.S. withdrawal from Iraq in December 2011, was greatly alarmed. Describing the Kurdistan Region as the "island of decency the Kurds have built," he expressed his determination to preserve this tranquil space as a model for the rest of Iraq and even the Middle East. He viewed the region as a success story of America's involve-



NECHIRVAN BARZANI
Prime minister of the
region of Kurdistan
(September 2014)

"ISIS is a threat to the stability of the entire region. There is only one solution for tackling terrorist organizations: to fight. ISIS does not only threaten us, but also Turkey, Jordan, Libya and Saudi Arabia."

ment in Iraq: "They used that time well, and the Kurdish region is functional the way we would like to see. It is tolerant of other sects and other religions in a way that we would like to see elsewhere. So we do think it's important to make sure that that space is protected." The U.S. knew and had actually known since 1991 that it would benefit greatly from the pro-U.S. Kurds in a largely hostile region. There is recognition in Washington that, in a region with a variety of problems, the Kurds are an asset; they get things done and keep their promises. Facing the significant challenge from ISIS, however, the Kurds found themselves politically and militarily handicapped, and under regional and international pressure, had no choice but to return to Baghdad. The nomination of a new Iraqi Prime Minis-

ter, Haidar Al-Abadi, on August 11th potentially presents an opportunity for the Kurdish leadership to maintain Western support and settle their various issues in Baghdad. The hope is that Kurdish political, economic and military grievances will be addressed in light of the new circumstances in Iraq.

STRATEGIC PROXIMITY

Baghdad is ever more weakened and fragmented, and so the expectation in Erbil is that Baghdad will be more flexible and more inclined to grant Kurdish requests. The Kurdish return to Baghdad is a purely tactical effort to confront the immediate crisis. The Kurdish leadership has repeatedly stressed that Kurdish submission to Baghdad is out of the



BAYAN SAMI ABDUL RAHMAN
High Representative
of Kurdistan in the UK
(July 2014)

"It is not up to the Kurdish leadership whether we become independent. It is up to the Kurdish people."

question—Masoud Barzani himself has reiterated on many occasions that Kurdish affairs will not be controlled from Baghdad. The Kurdish people have faced economic hardship since February, a consequence of Baghdad's decision to suspend the KRG's share of the national budget, Kurdish attempts at regaining Kurdish territory lost to ISIS and the cold reception of Western states to Kurdish independence. This does not mean the Kurds have repudiated their ambition for secession from Iraq. Hemin Hawrami, head of the Kurdistan Democratic Party's Foreign Affairs Office, has stressed that the current Kurdish strategy is to work on two fronts. Firstly, engage Baghdad to participate in the reconciliation process and to allow for the stabilization of Iraq. Parallel to

this, is the strategy to make the necessary preparations for Kurdistan's independence.

The Kurds are buying time; the Kurdish leadership knows that Kurdish aspirations will not be realised in Baghdad, as they will never be seen as true partners in Iraq, and nor has the government in Baghdad proved trustworthy. The Kurds see independence as the one and only solution. There is no real will for peace,



FAISAL I
First Iraqi king
(1932)

"I believe that there are no Iraqis in Iraq. There are instead many groups without national sentiments, groups rich in superstitions and false idols, without common ground between them."

reconciliation and coexistence – all major Iraqi groups have separate agendas. The very first Iraqi king, Faisal I, stressed this in a 1932 private memo to a close circle of advisors: "In this regard and with my heart filled with sadness, I have to say that it is my belief that there are no Iraqi people inside Iraq. There are only diverse groups with no national sentiments. They are filled with superstitious and false religious traditions with no common grounds between them." Nothing has changed in 2014. There is absolutely no trust between Baghdad and Erbil, palpable also is the huge tension and ample mistrust between the Arab Sunni leadership and the Shiite leaders in Baghdad. So effectively, Kurdish independence has only been postponed, the vision, view and goal is still live and well.



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What changes/Practices and ideologies of the Islamic State

For each enemy, his challenge

The most important challenge is overturning the stereotype of the terrorist defined over the last three decades; especially now that they have young people with western appearance and accents

Suddenly many of us are asking questions about the unexpected birth of ISIS and the so-called Islamic State. You could also say that many would like to understand the fundamental differences between the Islamic state and Al Qaeda. While there

are no true ideological differences between the two factions, their methods of operation provide a clear distinction between the two organizations, both of which ultimately share the objective of achieving a caliphate. Al Qaeda believes that the time for proclaiming the caliphate will come in a later phase, one preceded by numerous preparatory phases for building a solid basis and consolidated instruments in countries considered part of that organization's ambitious design. The Islamic State, on the other hand, favors the immediate establishment of the caliphate followed by a strategy of expansion, starting in Syria and then moving on to Iraq, which, it believes to be a starting point for future expansion. This explains the birth of the organization known as ISIS, the Islamic State in Iraq and Syria, which then transformed rapidly

into ISIL, the Islamic State of Iraq and the Levant (Eastern Mediterranean). It finally became IS, the Islamic State, especially after the organization's announcement of a strategy of future expansion.

MORE ATTENTION TO WESTERN SECURITY

This desire for rapid expansion represents a direct threat for many countries, and these threats can be divided into two phases. In the first there are the countries neighboring Iraq and Syria, those where the organization has substantial roots, such as Saudi Arabia, Lebanon and Jordan. The second phase involves Western countries where the organization considers part of its future territory, according to strategies regularly published and distributed on the group's web site. The organization's expansionist ideology has given the entire world food for thought regarding international security, especially if you consider that estimates indicate that affiliates of the organization exist in many countries and members reside in more than 70 nations. The most important challenge is overturning the stereotype of the terrorist defined over the last three decades. The factors determining

the birth of modern terrorism cannot be found in global poverty and ignorance and do not belong to a particular geographic area or to a single language, e.g., Arabic. Today, many affiliates of these organizations come from diverse societies, including many European-born, who were educated in and speak the language of their native countries, with Great Britain and France leading the way in this regard. This new form of terrorism has spread widely over recent years and will require new ways and means of countering terrorism, in particular the use of technology to offset the groups' use of information technologies and other sophisticated methods of communication. Another thing that cannot be ignored is that the Islamic State has huge sums of money for buying the trust of security officers and the military forces of its selected country. Estimates suggest that the organization can adopt this technique thanks to the

large quantity of money it has available to facilitate movements of the organization's members and position them to make their operations effective. Another serious emerging threat is represented by the community cohesion that is a factor of the organization and the ideology of many countries, especially after the proclamation of the caliphate. Where this ideology cannot be accessed, the intentions of the Arab communities is to remedy it and reaching this phase is considered a natural product of the policy for the Islamization of communities that has been in place in the region, especially following World War II. History shows that the majority of Arab communities have lived in a state of cultural liberalism and have been implicitly associated with left wing tendencies and secular nationalism. But the transformation of these tendencies following the Second World War concern the spread of the ideology of Egyptian

president Gamal Abdel Nasser and the sanctification of his leadership, which in the end looked toward Moscow. The United States and its allies consider these tendencies a real threat to its interests as they have led to the birth of coalitions between religious ideologies (theology) and government regimes (dictatorship) and to a significant change in the educational and administrative rules of the country and a radical change of the community. Now these characteristics are part of the composition of communities and details of the daily lives of citizens.

SYRIAN AND IRAQI ENERGY UNDER THE CONTROL OF THE CALIPHATE

Together with these challenges to security in the Middle East, there is the question of energy, especially with ISIS controlling many oil wells and refineries in Syria and Iraq, and the

attendant possibility of terrorist attacks against those sites if ISIS begins to lose territory. The organization, with its vast wealth derived from the sale of crude at very low prices, can use its energy wealth to foment chaos, and, of course, can directly destroy these sources if they risk losing them.

As noted above, many experts believe that the internal and external organization of the Islamic State is not that of a traditional terrorist group. This can be seen in its vast network of Al Qaeda affiliates distributed throughout the world. The Al Qaeda affiliates see in ISIS a huge opportunity for relaunching their ideas and resuming terrorist activities. This now typical and new modus operandi of ISIS has surprised global antiterrorism experts, who in recent years have become accustomed to acting according to a traditional idea in which terrorists came from abroad rather than from within countries.

The enemy is no longer coming from overseas but is already within; especially now that they have young people with Western appearance and accents, who are in fact a product of that Western society itself: mastering the language and learning its customs and traditions. Now they are the main enemy of the Western societies from which they come. Some experts attribute the birth and rapid proliferation of the Islamic State to the direct support of sympathetic groups in other countries. Therefore, to counter this organization, it is necessary first of all to have genuine international will to forbid any type of direct or indirect support of such organizations, both by countries and individuals. It is clear that a high percentage of the finance of these groups comes from businessmen from the Persian Gulf, Europe and America. Furthermore, many terrorist organizations adopt kidnapping for finance purposes. Reports suggest that



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many countries secretly pay huge amounts to local intermediaries to free their kidnapped citizens. There are also reports of the increasingly widespread practice of selling women from areas which have fallen under the organization's control into sexual slavery. Furthermore, these organizations received significant financial and logistical aid from many countries during the years of the Syrian crisis, in an attempt to overthrow the regime of Bashar al-Assad.

THE SOLUTION IS NOT MILITARY ALONE

A common mistake is to believe that military confrontation is the only way for tackling the growing threat of these terrorist organizations. In fact, the world now needs to undertake the most effective routes for containing the threat of these organizations and their ideologies--adopting educational, economic and social strategies worldwide. ISIS and its affiliates have become a real problem for the United States, Russia, Iran, Saudi Arabia, Syria and Europe. For this reason, it is necessary to build an international coalition to tackle the problem, one composed of all countries that believe in a better future for all people on Earth. ISIS represents a genuine threat to everyone, and the Middle East in particular, as this organization's ideology does not recognize any geographical border between states under the Sykes-Picot agreement of 1916. Moreover, the proclamation of the caliphate entails doing away with the concept of a national state and political geographical borders, and today this represents a high danger especially for the people of this region who, since the fall of Iraq in 2003, have lived in fear of ethnic and religious segregation accompanied by a psychological war of fragmentation and discrimination.

U.S./Marathon Oil chief, Lee M. Tillman

Counting on a “new normality”

America's energy renaissance is nothing short of historic, and lifting the crude export ban would help stabilize global markets and restore the U.S. to the status of energy superpower

Marathon Oil is counting on a “new normality” in Iraq after having been forced to evacuate its staff because of the jihadist offensive. So stressed Lee M. Tillman, President and CEO of the company, which is aiming to become the major

independent oil company of E&P. If nothing else, observed Tillman, ISIS's advance has brought Kurdish authorities closer to the central government of Baghdad in order to fight their common enemy, which, since June, has had the second largest OPEC oil-producing country over a barrel.

Is exposure in Iraq a threat to Marathon Oil?

Geopolitical tensions are always a risk factor for our industry. In Kurdistan, we achieved notable success under our exploration program. The situation has changed radically from a security perspective, however. We had to recall our expats. The safety of our workers is always our number one priority. Our offices are currently being run by Kurdish employees.

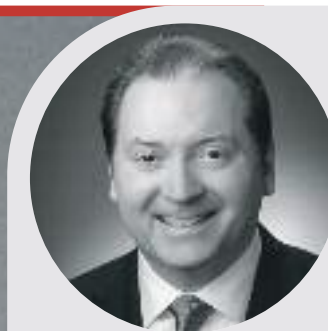
The day after the American air strike against Islamic

State jihadists in Iraq, some experts stressed the importance of protecting the region of Kurdistan, because it is vital for many western oil companies like Marathon Oil. What's your view of this?

It's difficult for me to give an answer about military strategy. Traditionally, Kurdistan offered a safe environment in which to operate. One now has to understand what the “new normality” in the region will be: this is the major question for oil companies operating in the country. We remain optimistic for the future. What we can hope for is a return to “a new normality” in Kurdistan.

In this geopolitical context, from the perspective of the oil industry, what should the American administration's priorities be?

With regard to policies, in order to promote stability, the American administration should deal with the issue of removing the ban on U.S. crude oil exports. In the past, during similar crises, oil prices would have been under strong pressure to rise, but this has not happened. It is the American energy “renaissance,” through the shale revolution, that is having such a radical effect. The ban on oil exports was imposed at a time



LEE M. TILLMAN

is President and Chief Executive Officer of Marathon Oil Corporation and a member of the Marathon Oil Corporation Board of Directors. He joined the Company in August 2013. Immediately prior to this, Mr. Tillman served as vice president of Engineering for ExxonMobil Development Company where he was responsible for all global engineering staff engaged in major project concept selection, and front end engineering and design. He began his career in the oil and gas industry at Exxon in 1989 as a research engineer. He has extensive operations management and leadership experience that has included assignments in Jakarta, Indonesia; Aberdeen, Scotland; Stavanger, Norway; Malabo, Equatorial Guinea; Dallas and New Orleans.

when oil was scarce. Now, we are in an era of abundance. Independent research institutes like the Brookings Institute have come out in favor of removing the ban, indicating that domestic prices at the pump would go down. The United States is already exporting refined products. Allowing unconventional products onto the global market is the right

answer for producers; it would provide an incentive for drilling wells, it would encourage investments in oil and gas, it would benefit consumers in terms of prices and it would create jobs. Up until ten years ago, it was totally unthinkable that the U.S. could become an oil exporting country. It is difficult to believe that the first well in Eagle Ford, Texas, was

only drilled 6 years ago. It was in 2008, when oil prices were more than \$147 per barrel because of the low domestic production rate and the crises in Venezuela and Nigeria. The rate of growth in the oil and gas industry in the U.S. in these years was historic. Last April in Texas, crude oil production reached 3 million barrels per day for the first time

since the seventies. This growth was led by Eagle Ford together with the Permian Basin, two of the main shale fields in Texas. Ours is a dynamic industry, with the capacity to overcome the toughest challenges, as fracking has shown. It, together with other technologies, has restored America to the status of energy superpower.

Where does Marathon Oil fit into this renaissance?

Marathon Oil, like many other companies, is benefiting from this energy renaissance. The beginning of this renaissance lies in unconventional fields. It is an amazing time for those in the energy industry. Progress in horizontal drilling and fracking are a true American success story that is

drastically changing the distribution of global supplies as well as the U.S. economy.

Marathon Oil will also continue to expand shale activities in 2015. Our proven and probable reserves of unconventional fuel in the U.S. increased to 3 billion barrels of oil equivalent, 520 million barrels more than at the end of 2013. Together →



Marathon Oil Corporation

Marathon Oil Corporation is an independent global energy company. Based in Houston, Texas, the company has activity in North America, Europe, the Middle East and Africa. The company has three reportable operating segments: North America Exploration and Production (E&P) - explores for, produces and markets liquid hydrocarbons and natural gas in North America; International E&P - explores for, produces and

markets liquid hydrocarbons and natural gas outside of North America and produces and markets products manufactured from natural gas, such as liquefied natural gas (LNG) and methanol in Equatorial Guinea; and Oil Sands Mining - mines, extracts and transports bitumen from oil sands deposits in Alberta, Canada, and upgrades the bitumen to produce and market synthetic crude oil and vacuum gas oil.

with the increase in these resources, total wells providing future opportunities for drilling grew to over 4,600, including Bakken, Eagle Ford and the Oklahoma Resource Basins, the cornerstone of our portfolio, where 60 percent of our capital budget for 2014 is directed. The increase in drilling activity predicted within the year will guarantee momentum for 2015; we will continue to aim for increased acceleration. We are satisfied with our progress in the U.S. and we expect a double digit increase between 2015 and 2017 in our three unconventional fields. There is still a lot of work to be done in order to reach our goal of being recognized as the main E&P independent company, but we are definitely on the right track.

The technological developments and new

fracking techniques responsible for this great boom have also brought as yet unanswered questions surrounding risks to the environment. Do you think these concerns are justified?

They are questions that legitimately continue to dominate discussions on the development of oil and gas resources. These problems must be dealt with appropriately and with a sense of urgency, facing up honestly to anyone who expresses concerns, operating in a way that is safe and sustainable and putting forward solutions. At Marathon Oil and in the entire industry, we are working tirelessly to develop strategies and technologies capable of reducing emissions and we are becoming increasingly efficient. We are working to minimize the

use of drinking water and to protect aquifers. At Eagle Ford, we have reduced water consumption by 45 percent. With regard to flaring, which is a very visible phenomenon, we are constantly looking into projects to cut emissions, also sharing best practices with other companies. At the new wells at Eagle Ford, we are committed to minimizing the flaring time between when the well is ready for production and when we install the infrastructures for transporting the gas for sale. We count the time in hours rather than days, and this year we achieved an average of less than 7 hours flaring at the well before starting to send the gas to the network. Every single operator must contribute to these best practices. This takes time, money and tireless dedication. We must work in partnership and not in conflict with the regulatory

authorities. We believe it is important to be open about the fluid components used in fracking and we support policies that encourage this transparency. We believe that countries are in the best position to regulate fracking. We must guarantee common standards among all operators. The shale revolution in North America is offering our industry the opportunity to get back into the game, to remind the world what its values are and its role in the global energy scenario.

Three years after Gaddafi's death, Libya is still not stable, even if production has started to rise again. Do you see the light at the end of the tunnel?

Even if the end of the blockade on production, which lasted for 11 months, is good news for international companies operating in Libya, the political situation and security remain under close observation. People are turning away but they are not leaving once and for all. Companies are waiting to see what happens. We have investments in Libya through the Waha Concession, world class resources which are very important to the company. As a result of the worsening of the situation over a prolonged period of time, we have not been able to export through the Es Sider terminal. The situation has improved, but remains unstable from a political point of view. Hopefully, stability will be achieved, but for the time being the situation is complicated.

Are you looking with interest at Mexican reforms, which will put an end to the state monopoly of oil?

We are following the developments in this historic situation closely. It involves a courageous move in the energy sector to attract direct foreign investments in Mexico. North America, with Canada and the U.S., represents an immense oil region to which Mexico is connected. We are all very enthusiastic, even if things are only at the initial stages. We hope that it will be successful and we hope that Marathon Oil can play a part in the future.



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U.S./The government's Middle East policy

Learning from our mistakes

America has a troubling history of failing to learn from its mistakes in the Middle East. But today the U.S. administration and military do not talk about defeating the Islamic State, they talk about “degrading” it. And this effort suggests it may finally be on the right track

N
by MOLLY MOORE

early 24 years ago, I drove through the burning oil fields of southern Kuwait, where Iraqi soldiers had set drilling rigs ablaze as they fled advancing U.S. military troops in the first Gulf War. The sky was so thick with clouds of black

smoke that the U.S. Marines I accompanied needed flashlights at high noon to read the wrinkled maps spread across the hoods of their armored vehicles. The scene—massive towers of fire against black skies, air so acrid it was nearly impossible

to breathe—was a vision of a 20th century apocalypse. I covered war and crisis in the Middle East for almost 20 years as a war correspondent for *The Washington Post*. During that time, oil and energy resources have been at the core of virtually every conflict: Sometimes as the security excuse the U.S. used to justify an invasion, other times fueling the social and economic divides that led to a nation's internal unrest and revolution.

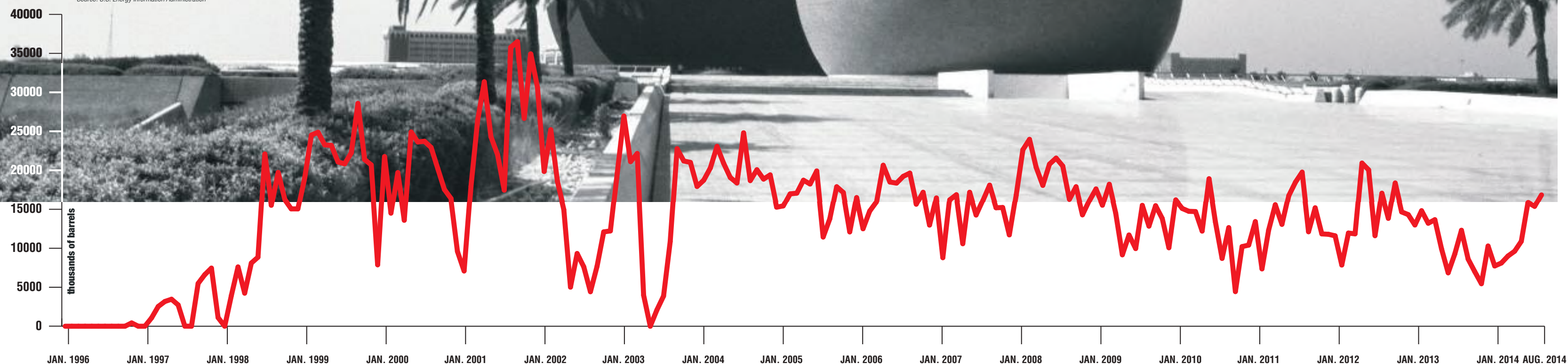
WHAT HAS CHANGED AFTER TWENTY YEARS?

More than two decades after Iraqi forces torched those Kuwaiti oil fields, Iraq finds itself on the oppo- ➔

A FLUCTUATING REPORT

Since 1996, US oil imports from Iraq peaked in periods following major conflicts. Pictured here is the al-Shaheed Monument in Baghdad, known as the Monument to the Martyrs, dedicated to the Iraqi soldiers killed during the Iran-Iraq war of the 80s.

Source: U.S. Energy Information Administration



site end of an invasion by what is perhaps the most insidious and cunning terrorist group yet to emerge out of the Middle East. When the Islamic State first invaded the Sunni-dominated areas of northern Iraq, Sunni sympathizers assisted its guerilla soldiers in taking over large swaths of land that included oil fields. Thus, the Islamic State became the first guerilla terrorist army to seize Middle Eastern oil fields and use those resources to fund the majority of its operations—by some estimates reaping \$1 million to \$2 million a day. That is a seismic shift in tactics for Middle East military or terrorist organizations. Al Qaeda, the parent group that spawned the Islamic State, depended on financial “donors” with like-minded anti-Western ideology from around the Middle East to finance its operations. And while both Al Qaeda and the Islamic State use kidnap-

ping ransoms and other extortion for funding, the Islamic State has crossed a new threshold for financing extremist recruitment, weapons and operations. After U.S. troops overthrew Iraqi President Saddam Hussein in the spring of 2003, I visited Mosul in northern Iraq, where much of the euphoric talk in the tea shops and restaurants centered on the prospects of international energy companies reinvigorating the region’s oil fields, replacing aging equipment that had fallen into disrepair under the international boycotts of the Saddam regime and bringing new technology and new prosperity to northern Iraq. Instead, at least seven major oil fields in northern Iraq near Mosul, Tikrit and Kirkuk—with a combined capacity of about 80,000 barrels a day—are now under the control of the Islamic State and are

being exploited for the benefit of terrorism and military operations. The terrorist group inflicted so much damage on Iraq’s main oil pipeline into Turkey, including blowing up the major pumping station, that it has been shutdown since March and may remain offline for years. Next door in Syria, the Islamic State controls about 60 percent of that country’s oil assets. It is estimated the Islamic State is producing about 50,000 barrels a day there—significantly below Syria’s pre-conflict capacity of about 220,000 barrels a day—but a generous source of income for the terrorist group. Now, some military analysts in Washington are debating whether the only way to cut off the Islamic State’s main revenue spigot is to bomb oil facilities funding the group. U.S. drones already have attacked some mobile refining facili-

ties. The Energy Intelligence Group wrote earlier this fall: “With the help of local middlemen—who control the supply chain by extracting oil, trucking it across territory trucking tankers, paying off border checkpoints and handling sales—the northern part of the Arabian Peninsula has become a black-market zone funding transnational terrorism, led by ISIS and other al Qaeda splinter groups.” So who’s to blame for this mess?

PAST MISTAKES OF THE U.S.

After two decades in a front row seat to U.S. involvement in the Middle East, I’ve witnessed a troubling trend by the government of my country: We don’t seem to learn from past mistakes. When the Soviet Union pulled out of Afghanistan, I watched as the U.S. lost interest. I covered the en-

suing bloodshed and violence among competing warlords who filled the vacuum. Then, Afghans grew weary of the brutality and embraced the Taliban when it stepped in to the leadership vacuum. The Taliban quickly turned brutal, Al Qaeda brought down the World Trade Center towers in New York and the U.S. invaded Afghanistan. But the U.S. had no strategy for rebuilding a country and a government from scratch. Instead of capitalizing on the wide-spread good will I witnessed among the Afghan people when the U.S. and coalition forces pushed out the Taliban, the U.S. once again lost interest in Afghanistan and decided, instead, to go after Iraqi President Saddam Hussein using specious arguments about non-existent chemical and biological weapons and ties to al Qaeda. Again, the U.S. had little strategy for rebuilding the country

and eventually backed a leader—Nouri al-Maliki—whose sectarian politics divided the country and opened the seams that allowed the Islamic State to make the inroads we’ve witnessed in recent months. In the end, according to Washington insiders, U.S. officials became so distrusting of al-Maliki—whom U.S. officials originally supported—that his early warnings about the rise of the Islamic State were dismissed as politically driven rumor on his part. Iraq’s newly elected Prime Minister Haider al-Abadi has started down the right path of attempting to bring the country’s Sunnis, Shiites and Kurds together. But his challenges from the Islamic State are enormous—militarily, politically and economically. Only 10 percent of Iraq’s oil production is in the Kurdistan Regional Government-controlled area. The remaining 90 percent is in the south

that for now remains under Baghdad’s control. However, the unstable situation in the north is driving even more of Iraq’s best and brightest to leave the country. Declining global oil prices have prompted the International Monetary Fund to forecast that Iraq’s gross domestic product will shrink by 2.7 percent this year, down from the 5.9 percent growth it had forecast earlier in the year. “The conflict in northern Iraq has started to affect non-oil growth in that country,” the IMF wrote, adding, “Although most oil production is in the country’s south and oil output levels have not been materially affected, the departure of skilled personnel will limit Iraq’s ability to expand or, possibly, even maintain oil production.” Iraq, which pumps about 3.5 million barrels per day, is OPEC’s second largest exporter after Saudi Arabia. So what is the answer?

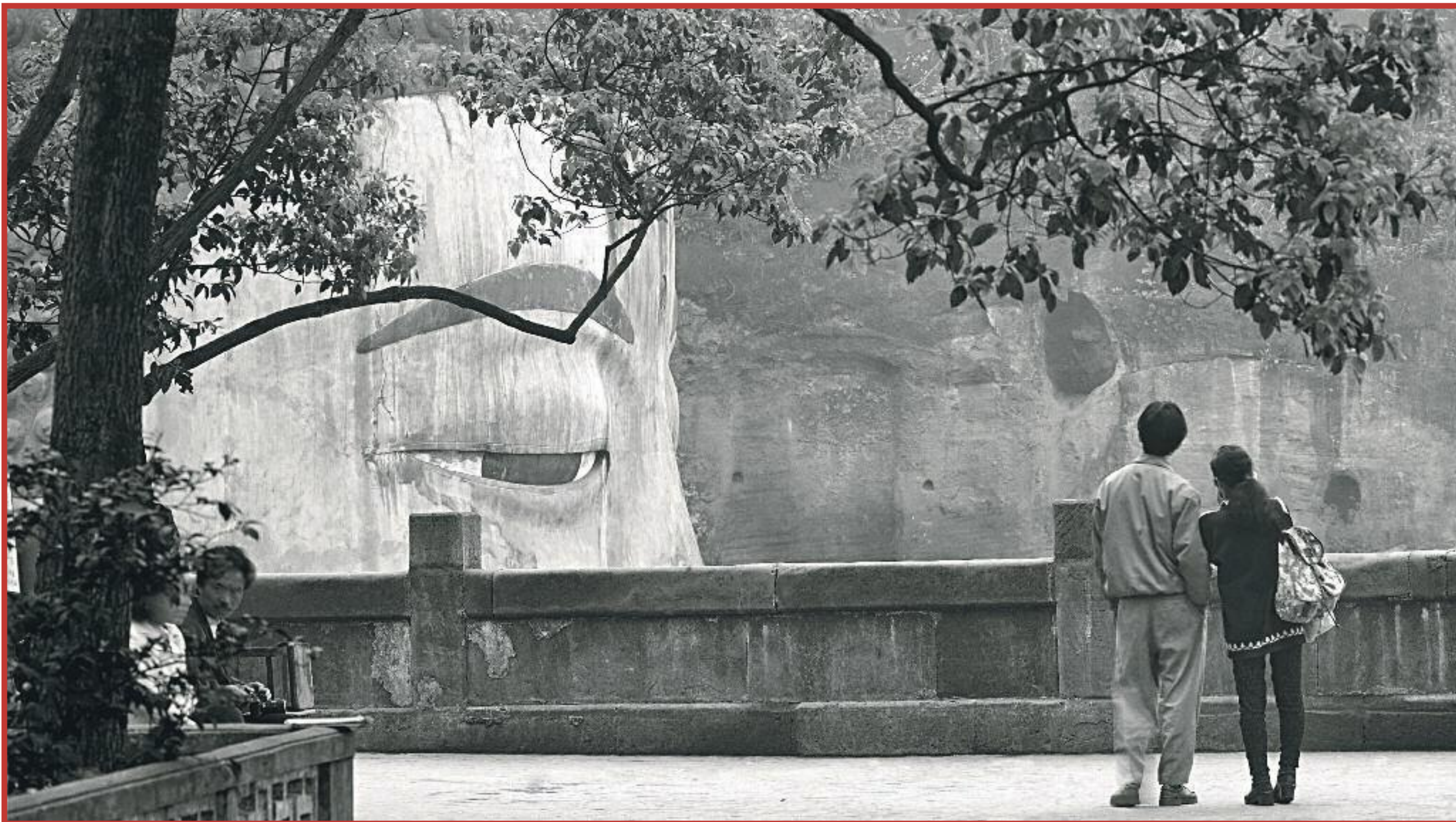
WHERE TO START IN DEALING WITH THE ISLAMIC STATE?

There is little debate that the top priority for Iraq and the rest of the world is cutting off the Islamic State’s funding source. Aerial bombardments, especially if refineries are targets, could limit the energy supply and the Islamic State’s ability to reach its largest customer base—the 8 million people in Iraq and Syria living on territory controlled by the group. Though crude oil directly from the wells can be sold, it’s the refined oil that fills the coffers. And perhaps the U.S. has learned to curb its bravado in a region where coalitions are difficult enough to stitch together and even harder to hold together. Today the U.S. administration and military do not talk about defeating the Islamic State, they talk about “degrading” it. There is a realization that extremist groups are going to continue to morph into new organizations using new channels of financing and international support. Today, one of the U.S. administration’s largest problems in reshaping its Middle East policy is public war fatigue. Even though the Islamic State evokes revulsion with its videos of beheading journalists and Western aid workers, the American public has watched war and its subsequent failures to bring peace and stability—especially in such a volatile region—with increasing cynicism. And as U.S. domestic energy production increases, Americans no longer automatically associate Middle Eastern oil with U.S. national security. There’s one mistake, however, that Americans aren’t apt to make again anytime soon and that’s declaring “Mission Accomplished” any where in the Middle East—as President George W. Bush boasted with his premature banner on a U.S. Navy ship ceremony after the fall of Saddam Hussein. Perhaps there have been lessons learned after all.



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China/Economic development cannot ignore Gulf oil

The East is keeping a watchful eye on the crisis

China's overdependence on Middle East oil threatens its energy security. It must focus its political, economic and diplomatic efforts on this problem

The latest statistics indicate that as an energy-scarce country, China is still heavily reliant on crude oil imports. From January to May of 2014, Saudi Arabia, Angola, Iran, Russia, Iraq, Oman, Venezuela, UAE, Colombia, and Kuwait were the top 10 countries supplying crude oil to China, accounting for 83.01 percent

of the nation's crude oil imports. China imported 13.38 million tons of crude oil from Iran, an increase of 49.76 percent over the same period last year, and an average of 2.68 million tons per month. After a 20 percent decline over two years (2012 and 2013) linked to U.S. sanctions, Iran showed the highest rate of increase of the Middle East countries, moving into the ranks of the top three countries from which China imports oil. Cumulative imports of Iranian crude topped 10.40% of total oil imports for Janu-

ary to May, rising by 2.7 percentage points from the same period last year. Apart from Iran, Middle East crude oil imports from Iraq and Oman have also recorded increases of over 20 percent compared to the same period last year, ranking these two countries respectively as the fifth and sixth largest sources of crude oil import for China. The escalating situation in Iraq will significantly affect China's oil imports from that country; indeed, production activities have already been affected. China is currently considering ad-

justments to its crisis management model for the country's overseas energy supplies in the wake of U.S. military strikes against the Islamic State (ISIS) inside Iraq and Syrian territories.

THE IMPORTANCE OF MIDDLE EAST OIL FOR CHINA

China's energy security mainly involves supply security for oil and natural gas. It is a structural problem engendered by robust rising demand

for clean energy in the face of severe supply shortages and the country's energy development bottleneck due to relatively high energy dependence. According to a forecast by the U.S. Department of Energy, China's crude oil imports will exceed 10 million barrels per day by 2030. As such, the outlook for the nation's petroleum supply security is increasingly bleak. China's overdependence on Middle East oil is a reflection of the country's rapid economic development and fast-growing energy consumption over the past 30 years. Now, as a result of the continuing instability in the Middle East, the oil crisis may once again become the center of attention, given that China's dependence on imported Middle East oil averaged 48.7 percent in the last decade, almost the same as U.S. dependence on Western hemisphere imports. According to statistics published in the "BP Statistical Review of World Energy," China's oil trade

countries, Russian and Central Asian energy is of crucial strategic importance period. However, even based on an optimistic estimate, one in which Russia-China and Central Asia-China energy cooperation and infrastructure construction such as oil and gas pipelines proceeded smoothly in the next 10 to 20 years, the contribution by Russia and Central Asia to China's energy security will only account for between eight and seventeen percent of China's total oil imports. Hence, China will likely continue its critical dependence on importing oil from the Middle East given that a conservative estimate has shown that the biggest proportion of China's future oil demand, or up to 50 or even 60 percent of the country's total imports, will originate from the Middle East region, particularly from the regions and countries of the Gulf area in the Middle East. Energy security considerations will continue to increase the importance of Middle

Eastern countries in China's external energy strategy, and China's energy strategy will increasingly highlight and reflect the reality of the significance of Middle East oil. How to adjust and formulate China's energy strategy under such a backdrop and development trend, i.e., how to implement

China's dependence on imported Middle East oil averaged 48.7 percent in the last decade, almost the same as U.S. dependence on Western hemisphere imports

grew by two thirds in 2011, including a 13 percent growth in net oil imports, with daily shipment volume of up to six million barrels. At present, China's external oil dependence has reached 60 percent, with Middle East oil accounting for over 40 percent of Chinese oil imports, while the country only has about 30 days of strategic oil reserves. By one estimate, if the country's oil consumption continues at the present rate, China's external oil dependence will exceed 70 percent by 2020, reaching 80 percent by 2035. By that time, there will be a supply shortfall of 60,000 tons. If China's energy security is a question of dependence on oil, it is, more specifically, an issue of dependence on Middle East oil. China has imported the biggest proportion of its crude oil from the Middle East and Africa since 1999. The sum of imports from the Middle East and Africa accounted for over 70 percent of its imports.

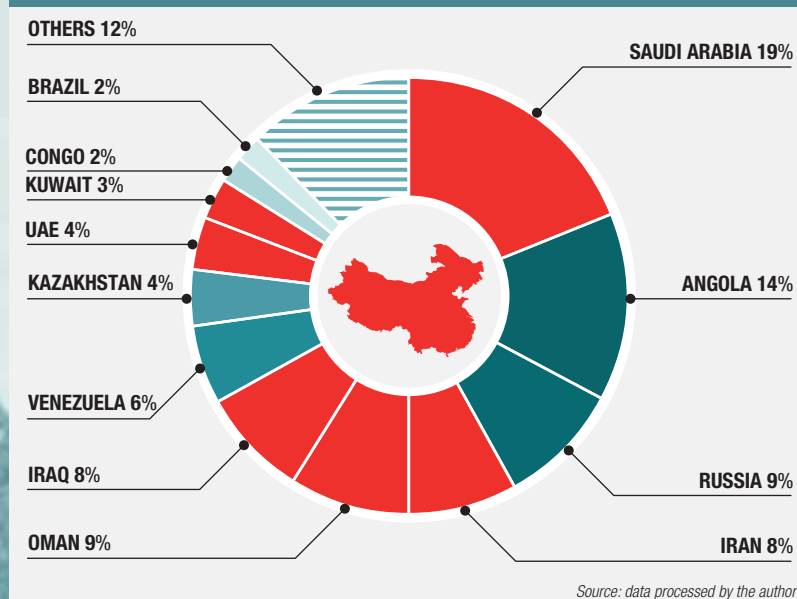
Although oil imports from the traditional Asia-Pacific market are still growing, the proportion of such imports is steadily declining. From such general perspectives as diversifying import security, reducing an overdependence on Middle East oil, as well as strengthening strategic partnership relations between China and Russia and between China and Central Asian

strategic planning between "diversification" and "intensification" and how to develop political, economic, diplomatic strategies and policy tools focusing on Middle East oil are major energy security issues and urgently require further study.

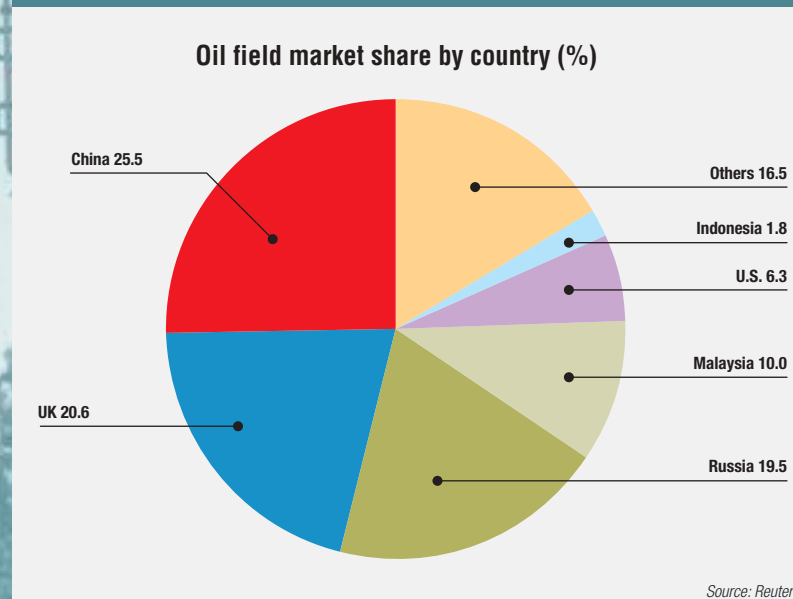
BEIJING'S "MIDDLE EASTERN" IMPORTS AND INVESTMENTS

China's energy thirst is not only changing the global energy setup, it is also boosting the socio-economic prospects of Middle East oil-producing countries. However, there are risks inherent in China's energy cooperation with the Middle East, first among them that countries of the world have started to compete for oil resources, creating an external pressure for China in its effort to acquire Middle East oil. Although many countries have boosted their efforts at developing and utilizing new energy sources, contention for traditional resources such as oil and gas is still heating up, while the pace of demand growth in Asia is still heading the global league table. On the other hand, the U.S., Europe, Japan, Russia and other countries have also stepped up the fight for Middle East oil. The U.S. has done so mostly through the Gulf Wars. Japan is actively building up diplomatic relations with the Gulf →

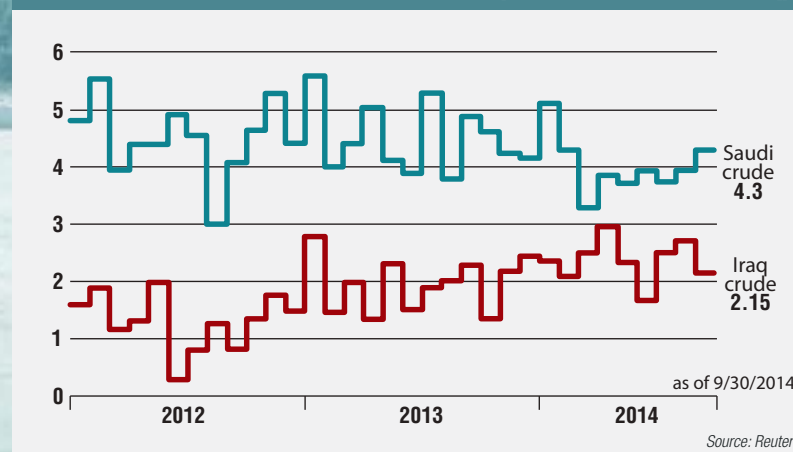
A. CHINA'S CRUDE OIL IMPORTS (2013)



B. OIL COMPANY POSITIONS IN IRAQ



C. CHINA'S CRUDE IMPORTS (from S. Arabia and Iraq)



China and Middle East Oil

A: the share of oil imports in China. In red, those of the Middle East.
B: the market share of the oil fields in Iraq divided by country.
C: oil imports from Saudi Arabia and Iraq to China in the past two years.

States; it decided to embark upon Middle East energy diplomacy to ensure oil supply stability after the Fukushima nuclear accident. Russia is currently trying to return to the Middle East, and its relations with Iran and Iraq are attracting much attention. All of this will inevitably have negative repercussions for China's utilization of Middle East oil. Secondly, China must learn to plan for volatility in energy prices. Oil price is a cyclical phenomenon; any rise must be followed by a subsequent fall. China's energy sector, with only a short history of conforming to international practice, still lacks the ability to respond to international oil market changes. Currently there is an oversupply of Middle East oil, therefore there is no adverse impact on Chinese import demand. However, in the event of an international oil shock similar to that which occurred in 1979, we do not know whether an economic giant like

China would be able to withstand the impact of a rise in the price of oil. Finally, the notion of a future regional and local conflict between China and the U.S. would also challenge its ability to respond to rising energy demand. China has yet to integrate a model for diversified energy imports. In contrast, the U.S. has far more diversified import sources. Only 30 percent of imported U.S. energy resources come from the Middle East. With China and the U.S. currently locked in a kind of "non-military" conflict, the possibility cannot be excluded for a direct confrontation breaking out between China and the U.S. on the oil issue. In such a scenario, the U.S. would be quite likely to use its dominant position in international energy to gain the upper hand over China. The U.S. "pivot to Asia" strategy would seriously affect China's energy security. Naturally, at the same time as containing energy risks, China is also

China will continue its dependence on importing oil from the Middle East, given that the up to 60 percent of the country's total imports will originate from this region

constantly seeking out opportunities for energy cooperation with the Middle East, among them:

- A slowdown in U.S. economic recovery coupled with the successful development and utilization of shale gas by the U.S. will bring about a gradual decline in U.S. demand for Middle East oil. Due to both technical reasons and geographical limitations, China is still experiencing relatively rapid growth in demand for traditional energy resources, as domestic

oil demand is still on the rise. This has created an oil consumption market of the greatest potential for Middle East oil. China also has sizeable and stable Forex reserves and a strategy for domestic enterprises to "go global." All of this would undoubtedly be highly attractive to Middle East oil.

- China will maintain and continue to strengthen its traditional friendship and political ties with Muslim countries in the Middle East. China is the only major country in the world to maintain good relations with all the countries and parties of conflict in the Middle East. U.S. policy has embraced double standards in its Middle East policy in recent years, and this has hurt its relations with Arab countries. But since China adopted a

political stance of no direct intervention on Middle East issues in its policies, and because China's economic development is highly complementary to that of the Middle East countries, there are significant prospects for economic cooperation between the two sides between the two sides, and for China to further develop its positive image in the region.

- Oil-producing countries of the Gulf Region have been implementing an open-door policy for many years by introducing preferential schemes to attract international oil capital. This has prompted Chinese energy corporations to undertake cooperative development and significant investment in the Gulf Region. Participation by Chinese corporations in the privatization processes of large numbers of Middle East oil assets is gathering pace. For example, during the first international auction of Iraqi gas fields in 2010, Chinese energy corporations

gained a position of prominence in the Iraqi government's energy agency through a series of competitive tenders. And on August 28 2014, the China National Petroleum Corporation (CNPC) assisted in commissioning the Badra Oil Transmission Pipeline for outbound transmission. This pipeline has since become an important trunk pipeline for Iraq's strategic pipeline networks. Chinese energy corporations have evidently participated en masse in energy exploitation of Iraqi energy resources and pipelines construction, highlighting an opportunity for China's entry into the Middle East market.

THE MIDDLE EAST ENERGY MARKET POST-2014 IRAQ CRISIS

The spread of ISIS extremist forces has had an insignificant effect thus far on the production of crude oil in Iraq.

According to statistics released by the U.S. Energy Information Administration (EIA) and other authoritative bodies, crude oil reserves in Iraq stood at approximately 90.25 billion barrels, with natural gas reserves at roughly 47.5 trillion cubic feet. Since Saddam's regime was overthrown, the oil and gas industry in Iraq has revived and output of crude oil and natural gas has seen sustained growth. The production volume of crude oil reached 3.35 million barrels per day in 2013 to hit its highest levels in nearly two decades, making Iraq the second largest oil-producing country in OPEC. Its output of natural gas, meanwhile, was close to 1.1 billion cubic feet. The additional Iraqi crude output was mainly attributed to a number of large oilfield projects in the south, including the Rumaila Oilfield, Halfaya Oilfield, West Qurna Oilfield (which included two projects: Phase I and Phase II), Maysan Oilfield and Zubair Oilfield. These oilfields together with other oilfields in northern Iraq, such as Bai Hassan and Kirkuk, are the main sources of crude oil output in Iraq. However, the refinery and petrochemical industries in Iraq are subsisting on weakened infrastructure with few facilities mostly located in the east and south, while the northern and western regions

ternational crude oil market prices. Despite the fact that crude oil output in northern areas currently controlled by ISIS only accounted for a fairly small portion of the actual output in Iraq, Brent and WTI crude oil prices have increased 4.4 percent and 4.1 percent, respectively, spurred on by the Iraq crisis as of June 15, 2014, marking the biggest weekly rise in 2014. COMEX WTI light crude futures for July 2014 closed at US\$106.91 per barrel, the highest settlement price since September 18, 2013. Brent crude futures delivered in July closed at \$113.41 per barrel. However, from early this October, the international oil market has changed greatly, NYMEX and Brent crude oil hit a new intraday lows: the Brent oil futures has reported to \$ 90.21 a barrel in November this year, which is almost hitting the price of \$ 88.11 as in the minimum bottom at the moment of the December 2010; As for NYMEX crude oil futures in this November, also dropped to \$ 85.82 a barrel, edged up \$ 0.05 as earlier as hitting to a minimum of 83.59 in July 2012. The Fall of Crude oil prices are mainly because of the slowdown with the global economy, and increasing the supply of crude oil from OPEC, as well as depreciating the prices of all export products on October 1, 2014.

U.S. has far more diversified import sources than China. The U.S. would be quite likely to use its dominant position in international energy to gain the upper hand over China

In other side, the situation in Iraq also negatively influent with international energy prices as an additional factor. As the output of oil-producing regions in southern Iraq makes up three quarters of the country's total output exported via ports in the south, the possibility of continuous expansion of ex-

tremist forces into southern Iraq seems unreality. Along with the increase of US airstrike to ISIS, which estimated ISIS will be timely transforming and diversify its military strategy, judging optimistically, in this end of year, prices of crude oil will be standing around \$ 70-80, which in favour of the development for the world economy, particularly promoting the US and emerging countries for their economic recovery. Military actions by ISIS almost disrupted the crude oil export via pipelines in northern Iraq. As of May 2014, the total export capacity of crude oil in Iraq came to about 2.58 million barrels per day (seeing a drop compared to 2013) all of which were exported via ports in the vicinity of the southern region of Basra, passing through the Persian Gulf. If the Iraq crisis worsens and the country's domestic crude oil pipeline system is subjected to major damage, or if oil-rich

towns in the south such as Basra fall into the hands of extremist forces, crude oil production in Iraq will suffer severe losses. Current crude oil exports cannot be guaranteed and there is even the possibility of complete supply disruptions. The conflict in Iraq is having the greatest impact on the ITP pipeline that runs from the Kirkuk Oilfield, passing through Neynawa and Salahuddin and reaching Ceyhan in Turkey. This pipeline has stopped transmission due to attacks since March 2014, resulting in reductions of at least 200,000 barrels per day in Iraqi crude oil exports. In May 2014, total Iraqi crude oil exports exceeded 80 million barrels, which was shipped through ports in the vicinity of the oil-rich town of Basra in the south, hitting a record high in monthly exports of crude oil in southern ports since 2003. The crisis poses threats to crude oil production in the north-eastern Kurdish Region and refinery plants in the north-western Baiji region, depending on the situation on the battlefield. The Kurdish Region is one of Iraq's most critical crude oil reservoirs and production regions and its crude oil reserves represent roughly one third of Iraq's total reserves, with output at about 500,000 barrels per day. Although Kurdish people in the region are characterized by their solidarity, and their ethnic armed forces, the Peshmerga are known to have tough fighting capabilities, gas and oil production in the region will nonetheless suffer a heavy impact if the extremist forces continue to spread eastwards and clash with Kurdish armed forces. In July, the Peshmerga took control of the oil-rich town of Kirkuk in northern Iraq under the banner of defending the country against ISIS, and demanded that the proportion of export earnings from crude oil production in the Kurdish Autonomous Region be increased to at least 25 percent of the whole country's gross output volume. The central government of Iraq, however, did not reply to this demand. In the meantime, the Kurdish Region continued to unilaterally export crude oil to Turkey, while ISIS launched violent attacks in some cities in Iraq and the central government struggled to deal with the situation.

CHINA'S APPROACH TO THE MIDDLE EAST ENERGY MARKET

Since the end of the Iraq War, CNPC has gained partial equity in the Rumaila Oilfield and Halfaya Oilfield in southern Iraq through bidding, while The China National Offshore Oil Corporation (CNOOC) has obtained partial equity in the Maysan Oilfield which is also situated in southern Iraq. At the end of 2013, CNPC acquired a 25 percent interest in the Phase I



Technical Service Contract of the Qurna Oilfield in Iraq held by Exxon Mobil through its wholly-owned subsidiary, further consolidating its position in Iraq. In 2012, Iraq became China's sixth largest source of imported crude oil. China imported 525,000 barrels per day and 568,000 barrels per day from Iraq in 2012 and 2013, respectively. By the end of 2013, output of crude oil produced by CNPC in Iraq accounted for about one third of the total output of its overseas oil and gas operations; the Maysan project initiated by CNOOC is also due to start generating revenue in 2012. In addition, SINOPEC also obtained equities in oil fields in the Kirkuk region through the acquisition of the Swiss company Addax in 2009, which became the only petroleum project in northern Iraq run by a Chinese corporation that has not directly participated in crude oil production

The expansion of ISIS has not had a direct impact on the Chinese projects in Iraq. Projects in which CNPC and CNOOC are involved are located in the south of Baghdad

in the region. Judging by the short-term situation, the expansion of ISIS extremist forces has not had a direct impact on the production operations of Chinese projects in Iraq. Apart from SINOPEC's Taq Taq Oilfield project, projects in which CNPC and CNOOC are involved are mostly located south of the Iraqi capital Baghdad, and have not yet been attacked by extremist forces. Due to the fact that SINOPEC's project is situ-

ated in northern Iraq and is still under the control of the government of the Kurdish Autonomous Region, ISIS extremist forces have not been able to push into the region and thus the production activities of the project have been free from major impact.

In addition, since SINOPEC took part in the project as a stakeholder instead of an operator, no employee has been deployed to carry out production operations within the territory of Iraq. However, in the long term, if extremist forces were to occupy Baghdad and further expand into the southern regions, the production and operational activities of China's oil companies in Iraq would certainly be adversely affected. CNPC and

CNOOC will inevitably be confronted with a situation where they must evacuate all Chinese staff. If such a situation occurs, the oilfields will have to be temporarily handed over to the Iraqi companies, e.g., The Southern Oil Company (SOC) and The Northern Oil Company (NOC). Even if Iraq's state-owned oil companies are capable of fully maintaining the normal operation of the projects that have been put into production, new projects and projects under construction will unavoidably be brought to a halt. Damage done to oil and gas infrastructures in Iraq by warfare will also affect the return of Chinese oil companies to Iraq to undertake production operations. An appropriate increase in crude oil imports from Iran will be double insurance. Furthermore, the government of the Kurdish Autonomous Region has sent troops to take control of the oil-

producing area in Kirkuk during the latest episode of the Iraq crisis. Its game-playing with the central government in the future will bring tremendous uncertainty to Chinese oil companies' investments and operations in Iraq. If both sides are to be completely thrown out of balance in terms of existing interests, the prospect of oil production in northern Iraq will face challenges, which may affect SINOPEC's current investment strategies in the Kurdish Region.

FOREIGN INVESTMENT STRATEGY

As China introduced the foreign policies of the "Silk Road Economic Belt" and "Maritime Silk Road" in 2013, China's oil companies will direct more efforts to running the business operations of their overseas oil and gas resources, especially in-

vestments in geopolitically sensitive regions such as the Middle East and North Africa. It is essential to pay constant attention to various investment-related risks in overseas operations. First, it is vital to continue to reduce risk in overseas energy investment. This measure mainly centers on personnel safety, asset safety and operation security. Efforts must be made to reduce personnel and asset losses as much as possible, including project management and maintenance for projects exposed to risks and proactive advocacy for sufficient protection in overseas jurisdictions, including the insertion of relevant protective provisions upon signing contracts, lodging claims to relevant authorities in accordance with international laws and industry practices, while using various insurance covers. Second, it will be important to seek out safe and stable "havens" in business dealings. For in-

stance, investments in oil and gas in the Kurdish Region can be gradually increased. In this round, the powerful militant forces of the Kurdish Autonomous Region not only protected the region from attacks by ISIS, but also took the opportunity to seize control of the Kirkuk Oilfield, allowing them to get a head-start on the central government in the rush for oil and gas resources. Therefore, the Kurdish Region has and should continue to enjoy comparative advantage in attracting overseas investment, and Chinese investment in particular. Chinese companies should offer even more favorable contract terms with a rate of return clearly higher than that in the production contracts previously signed with the Iraqi government, gradually making the region a "haven" for Chinese investment in energy resources. Finally, when developing China-Middle East energy ties, importance must be attached to the issue of building up cooperative mechanisms. China should review and adjust its strategic orientation towards the Middle East, particularly for nations of the Gulf Cooperation Council (GCC) as an important component of national security and external relations strategies, elevating the importance of oil-producing countries in the Middle East. Present and future Chinese policies for the Middle East should place China's major strategic interests (oil and gas) as the overall objective, trying to constantly develop and deepen economic and trade connections in the field of energy and helping accelerate peace and stability in the region. In summary, at this time, the application of the state apparatus and the use of political, diplomatic, economic and military means should be considered in order to offer the utmost safeguard for China's overseas rights and interests, and to "prepare for a rainy day, acting with prudence and precaution." Only these key measures can be effective for avoiding the threats to China's overseas interests.



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by ANTONIO
GALDO

Now that the Western world is having to face ISIS, the extremist, and terrorist, Islamic State, no longer stateless, it would do well to understand how this new entity functions, what its political and administrative mechanisms are, and how it distributes power. First and foremost the ISIS caliphate has in a few months, performed a miracle; rewriting the definition of the operating form of the advanced terrorist. Compared to today's configuration, Osama bin Laden would seem nothing more than a fugitive and visionary bandit. The image of the Al-Qaeda jihadist blurs into often unconnected groups incapable of having any sort of effect on other territories. ISIS, which just a few months ago was only a network of bitter terrorists, has made a quantum leap: terrorism has become a State, with national borders and laws (starting from the obsessive and paranoid application of the sharia), and the ability to collect and manage resources according to highly structured mechanisms. All of this may seem to be a paradox but is mere confirmation of the absolute value of our democracy with its rules, based on criteria and establishment typical of Western states.

The caliphate is not a dictatorship but a pyramidal state, with distribution of power

The caliphate is an authoritarian, pyramidal state rather than a dictatorship. The distribution of power presents different weights and counterweights, central and peripheral authorities,



somewhere near to the principles of the federalist nation. At the top of the pyramid stands the leader Abu Bakr al-Baghdadi, self-proclaimed caliph of the Islamic State. Alongside him is a Cabinet of advisers, the caliph's staff made up of his closest collaborators, and two deputies, Abu Muslim al-Turkmani and Abu Ali al-Anbari, responsible for the territories of Iraq and Syria respectively. Central control of the caliphate is completed with a hierarchy of ministers, similar to those of Western Anglo-Saxon democracies. It is very slim, divided into eight departments, which concern themselves with the foreign front and internal affairs. Among the most important portfolios are Finance, a sort of super ministry of the economy; Armaments, like our (Italy's) Ministry of Defense; and Military Operations, what we called the Ministry of War during the conflicts of the 20th century; Enforcement of *sharia*, or overseeing the application of religious laws; and Communication, with

control of all of the caliphate's propaganda, including the brutal restart of the practice of beheadings. Below the level of the central government, there is the federalist structure, with 24 governors, 12 in Iraq and 12 in Syria, each of which control a sub-region. The scheme broadly follows the model of the American states, although the 24 governors have to answer to the caliph's two deputies for all matters of their competence. And this is because ISIS, over and above the needs of federal organization and mechanisms, remains a single State, very centralized in its levers of power.

How it is financed? Where does the money come from and how many there are in cash now

In a few months the caliphate has managed to solve one of the hardest problems of a state conceived from nothing: amassing financial resources, the extraordinary

start-up costs and ordinary costs for ensuring a long life for its administrative and political structures. According to reliable estimates, ISIS has in its fully liquid and available coffers at least \$2-3 billion. This is an enormous figure compared to the ever scarce resources of terrorist groups such as Hezbollah and the Taliban. But where did so much money come from? Initially, while still a group of jihadist in the early phase of the Syrian conflict, ISIS received generous finance from various Gulf monarchies: Saudi Arabia, Qatar and Kuwait. With very poor judgment, and the hope of making a geopolitical investment in the future, the Gulf states armed the IS militants, with a view to putting the hated enemies of the Syrian and Iranians regimes into a corner. The second source developed over time, thanks to the results of IS's terrorist activities, through raids on banks and government offices, and ransom extracted from Western

governments in exchange for the freedom of hostages – a 360° criminal activity, and very lucrative. Lastly, and here they have golden ticket in the area of public funding, there is the revenue from the sale of fossil fuels. The news from the front, on territories conquered changes day by day, especially after the arrival on the battlefield of the anti-ISIS Alliance made up of at least 40 countries, and this means the amount of fossil fuels controlled by ISIS varies. But to give an idea of the financial potential that the caliphate has available to it, it is worth remembering that the production of crude oil in Iraq is worth something like \$120-130 billion. As for Syria, the caliphate already has control of 70 percent of its reserves; it draws at least \$2 million a day from petroleum sales. An entire black-market has grown up around the barrels of crude transported from the caliphate; its Arab allies play a central role in its functioning.

The arms race: the Islamic Army numbers

And in any case, thanks to the now stable cash wealth and reliable income, in just a few months ISIS has been able to arm itself comprehensively. Among its armaments are Mig 218's, anti-aircraft vehicles, armored cars, tanks, M79 grenade launchers, and heavy artillery. Alongside its arsenal, the caliphate has also been able to multiply its militia, soldiers paid by the regime, thanks to its generous supply of cash. Here the numbers fluctuate, but the American intelligence reports suggest that the caliphate can now field an army of around 100,000. At salaries averaging \$600 a month per soldier, they are well-paid according to the normal parameters of Islamic terrorism. So many men, the majority mercenaries, uphold a strong, unitary state with a full war chest. And with an organizational model which bears a strong resemblance to the hated West.

Antonio Galdo is the author of *L'egoismo è finito* (edizioni Einaudi) ["Selfishness is over"] and runs the website www.nonsprecare.it



Istituto Affari Internazionali

by NICOLÒ
SARTORI

Long gone seem the times of the "zero problems with neighbors" strategy drawn up by the Turkish Foreign Minister of the time, Ahmet Davutoglu—now head of the government—in an attempt to normalize relations with key regional stakeholders and to guarantee Turkey a pivotal role in a context of progressive political stability and economic integration. The previous conflict between the Bashar al-Assad regime and the rebel groups, and the advance of the militia of the Islamic State (ISIS) in Syria and then Iraq are, in fact, shattering Turkey's ambition to act as a powerful but fair regional stabilizer with regard to the neighboring countries. The escalation of hostilities in the Levant, in fact, raised doubts about the Turkish government's strategic influence, and may affect Ankara's status, not only in their own neighborhood, but also within the entire global chessboard.

Bashar al-Assad is Ankara's number one enemy

The dictator Bashar al-Assad, of Alawite faith, is certainly the number one enemy of Ankara, whose responsibilities for the folly and blowback of the Syrian conflict are acknowledged (and often criticized) by many in the international community. The Turkish government guarantees political support for anti-Assad forces, and it is no coincidence that the Syrian National Council—the political coalition that opposes the regime of the dictator—was formed in 2011 in Istanbul, from where it still acts as a government

in exile. The activity of Ankara, however, seems to go further: for some time now, it has been funding and supporting the main armed groups fighting against the regular forces of the Assad regime. Among these is the militia of the Free Syrian Army (FSA)—formerly the main armed opposition group active in the country—to which it appears that, since 2011, the Turkish armed forces have supplied materials and logistic support, as well as assistance and training activities. It is more problematic to justify their support, or at least the complicity of the Turkish government with active jihadist movements in the civil conflict in Syria, including the militia of the al-Nusra Front group, linked to Al-Qaeda. In 2012, the Front was in fact added by the United States to the list of international terrorist groups, fueling many tensions between Washington and Ankara. Nevertheless, in June 2014, the Turkish government also decided to add it to the list of terrorist groups, with doubts remaining regarding the complete non-involvement of Turkey in the activities of the Front at the border with Syria. The Turkish-Syrian border has in fact become the epicenter of the activities of organization, planning and procurement of the militias in the fight against the forces of Assad. Aid, ammunition and militants themselves are transported to the operational locations across the border with Turkey, near which—unsurprisingly—the main strongholds of the rebels are located, including those of the Islamic State.

Turkey at a crossroads: walking a fine line on the ISIS threat



The message is clear: Turkey will not take part in military action against the Islamic State. In the picture, Turkish Prime Minister Recep Tayyip Erdogan.

Turkey changes its mind over military intervention against ISIS

During the 69th session of the General Assembly of the United Nations, President Erdogan announced his country's willingness to join the military forces to put up a united front against the threat of the Islamic State. The announcement came as a surprise after Ankara had decided to remain outside of the international coalition formed in Jeddah, Saudi Arabia, which saw eleven Arab countries come together, namely Saudi Arabia, Bahrain, Egypt, the United Arab Emirates, Iraq, Jordan, Kuwait, Lebanon, Oman and Qatar. The decision helps finally dispel any doubts about the efforts actually made by Ankara to oppose the action of the militias led by Caliph Abu Bakr al-Baghdadi. Doubts

fuelled by the belief that relations with the Islamic State could be practical for Turkish security by virtue of the possible convergence of objectives in the joint struggle against the Assad regime, but especially the vulnerability of Ankara with regard to the forces led by the caliph, which control a large part of Syria near the border with Turkey, posing a direct threat to security in the south of the country. The siege of the Turkish Consulate in Mosul, Iraq, by al-Baghdadi's men, which culminated in the seizing of over forty diplomats from Ankara, who were held hostage for more than three months, resulted in stern warnings from Turkey. It was only following the definitive resolution of the Mosul crisis that it decided to take action against ISIS and break the non-belligerency pact formed in recent months.

Interests and frictions with the United States

The change of direction announced by Erdogan brought Turkey closer to the United States, with whom relations have been lukewarm for some time. It did not, however, stop the U.S. from asking the Turkish government for a drastic change of position with regard to the jihadist armed struggle against Assad. As a result of strategic differences with Ankara, Washington avoided asking to use the Incirlik Air Base—located in the south of the country, and ideal for launching air attacks against ISIS—in order to avoid fuelling further potentially dangerous friction within NATO (North Atlantic Treaty Organization). The tensions between the allies now appears to have eased, although the Turkish government continues to preach caution with regard to the indiscriminate aerial bombing of ISIS positions, which risk creating a surge in the flow of Iraqi and Syrian refugees—whose numbers have already well exceeded alarming levels—across the Turkish border. The development of Ankara's relations with its regional partners remains to be seen. The initial non-belligerency position clearly isolated Turkey in the Middle East, not only with regard to Shiites and the Kurds directly committed to the struggle against ISIS, but also with the Sunni regimes trying to stop the threat of the caliph. The hesitation of the Turkish government with regard to Islamic State risks putting the brakes on Turkey's leadership ambitions in the Middle East. It now finds itself trying to follow (and not dictate) the guidelines of the main players in the region, and having to reassure the latter of the credibility of its commitment with regard to the threat of Islamic extremism.

Nicolò Sartori is a Senior Fellow and Director of the Program Energy IAI, where he coordinates projects on energetic security issues, with particular attention to Italian and European external energy policy.



by GIUSEPPE
ACCONCIA

The effects of the Iraq crisis and the nuclear agreement with Iran

The November 24 deadline for an agreement between the United Nations Security Council countries plus Germany (P5+1) and the Iranian authorities on Iran's nuclear program is getting closer, but the United States, as a result of pressure exerted mainly by the Republican Party, has approved new sanctions against Iran. The measures include tougher fines on 25 companies and businessmen suspected of having violated the sanctions imposed to date. They also target banks that allowed financial transactions with the Iranian government. Following the announcement of the new measures, Iran responded by delaying the inspections by the International Atomic Energy Agency (IAEA) of the country's nuclear reactors, on which the Iranian authorities had previously given full cooperation for site inspections.

Civil society is mobilizing itself in order to reach an agreement

During discussions held in September at the U.N. General Assembly, the Iranian President, Hassan Rouhani stressed Teheran's intention of continuing with its nuclear program, adding how "a compromise and an agreement on this subject would be in everyone's interest." This was echoed by the Nobel Peace Prize winner, Shirin Ebadi, who thought that reaching a final agreement on the Iranian nuclear question would be possible in the months to come. "The agreement has



Iranian President Hassan Rouhani speaks at the 69th United Nations General Assembly in New York, September 25, 2014.

only been postponed. I am satisfied with the agreement that Iran reached last year in Geneva. I now hope that the sanctions will gradually be lifted," explained Ebadi. "I am happy that Iran will stop uranium enrichment at 5 percent. But I believe that we need to discuss nuclear costs," added the Nobel Prize winner. Even six Iranian filmmakers have entered the fray, launching a campaign to ask the negotiators to reach a solution on the nuclear program dispute. Abbas Kiarostami, Rakhshan Etemad and Asghar Farhadi have joined the initiative "No to No deal." According to the directors, a proposal that includes the

recognition of Iranian law and a civil nuclear program should be accepted by the authorities in Tehran.

The Middle East conflict and the contracts with the U.S.

When the Iraq crisis broke out in June, contact between the Iranian and United States authorities intensified considerably. This did not have a conciliatory effect on the nuclear talks nor did it help to include Iran in the international coalition fighting against the advance of ISIS. Although Barack Obama has conceded that Iran could play a "constructive" role in Iraq, Major General Hassan Firouzabadi, Chief of Staff

of the Iranian Armed Forces, has excluded "cooperation" between Iran and the U.S. to tackle the jihadist advance. In spite of this, according to Sami Zubaida, Emeritus Professor of Politics and Sociology at London's Birkbeck University, and an expert on Iraqi history, Iran does have a decisive role to play in halting the jihadist's advance. "The main combatants in Iraq are the Shiite militias organized by Iran. The head of the al Quds brigades, Qasem Soleimani, was in Iraq leading these militias." That's not all; Iran made a contribution to resolving the political crisis in the neighboring country. "With the success of ISIS,

resulting from the conquest of Mosul, the Iranians realized that they had to find an alternative to the Prime Minister Nuri al-Maliki, and they managed because political dynamics in Iraq are far smoother than in Syria," explained Zubaida.

The commitment of the Iranian diplomacy to protect the borders

Iranian diplomacy is committed, above all, to securing the western border with Iraq, with the aim of safeguarding Iranian interests in the neighboring country, to start, the major project of the pipeline between Iran and Iraq, which was halted because of the first attacks by ISIS. The gas pipeline (6,000 kilometers long and costing \$10 billion) will enable 4 million cubic meters of gas to be exported to Iraq in a few months. Contact between the United States and Iran intensified as the ISIS jihadists advanced toward the Iranian border. The Iranian authorities played a vital role in controlling the Shiite militias in Iraq, which was essential to holding off the jihadist's advance. The final agreement to end the nuclear dispute with Iran has not yet been drawn up, while the deadline of November 24, set by the Geneva agreements, fast approaches. However, the skepticism of the ultra conservative Iranians who oppose the talks with the United States, and America's Republicans, who would like to intensify sanctions against Iran, are prompting the moderates and Iranian civil society to push for an agreement that puts an end to ten years of international sanctions.

Giuseppe Acconcia is a journalist and researcher focusing on Iran and the Middle East. Since 2005 he has lived in Iran, Egypt and Syria. He works for news outlets in Italy (*Il Manifesto*, *Il Riformista*, *Radio 2*, *RaiNews*), the U.K. (*The Independent*) and Egypt (*Al-Ahram*). He is the author of *La Primavera egiziana* (Infinito edizioni, 2012).

THE INTERNATIONAL TRADE OF AMERICAN LIQUEFIED NATURAL GAS

The wrong way

The expansion of the Panama Canal may be completed in time to enable a significant increase in the flow of LNG between America and Asia. Their gain may be Europe's loss

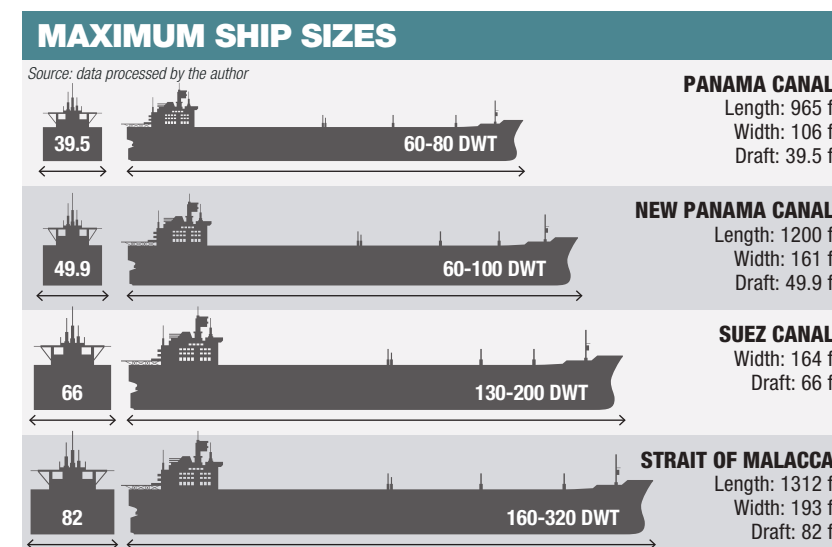
European policy makers are looking with great interest at America's plentiful supplies of liquefied natural gas (LNG), but there are signs emerging that much of that LNG may travel the "wrong way."

by JAMES
HANSEN

That's good news for Chinese and Koreans, but bad news for Australians seeking markets for their gas in Asia and for European countries that would like to find an alternative to uncertain Russian gas supplies. There is solid evidence that potential U.S. exporters of LNG, who need to acquire long-term contracts to justify the huge investments involved in getting expensive LNG infrastructure online, are beginning to look across the Pacific to Asia for their main markets. This shift in attention has everything to do with the Panama Canal, but we'll get to that below. The United States is in an increasingly strong position to take advantage of Asian demand for natural gas. A total of four proposed LNG export terminals in the U.S. have already obtained the necessary government permits to proceed, and another 20 are awaiting clearance.

The first approved export project from America's East Coast

In September, the Dominion Energy's Cove Point project on the Chesapeake Bay in Maryland became the first East Coast LNG export project to win approval. The three others to have gotten a go-ahead are on the Gulf of Mexico. Dominion expects to begin export operations in 2017 and forecasts that 85 ships will export LNG from its terminal annually. In spite of its East Coast location, Dominion is targeting the Japanese and Indian markets. With full federal approval, domestic political risk for LNG exports has mostly disappeared. The greater challenge for exporters is securing a stable market for their product, though a rapid rise in worldwide demand for LNG is now



The expansion of the Panama Canal, where today only relatively small ships can pass, will allow the passage of ships up to 120,000 dwt, equivalent to about 80 percent of ships now devoted to the transport of LNG in the world. This will dramatically later LNG trade patterns.

less certain than once seemed, since there are emerging doubts about the continued expansion of the Chinese economy. U.S. producers will face sharp competition in Asia from Australian competitors, who are engaged in vastly enlarging capacity. The country in fact is expected to assemble a total of 63 million tons per year (mtpa) of LNG export capacity by 2018, an amazing feat considering it has only about a third of that—22.2 million mtpa—at present.

Australia's vanishing geographical advantage

Australia proximity to Asian markets has meant lower shipping costs and higher margins that can aid in acquiring long-term contracts. The country is, at least in theory, in the best possible geographical location for serving energy hungry Asia. But its geographical advantage may vanish with the completion of a single huge infrastructure project: the expansion of the Panama Canal. The canal, inaugurated in 1914, is just one hundred years old. For a century it has significantly cut shipping times between Atlantic and Pacific nations. But it is outdated and cannot handle modern supertankers because its locks and passages are too small and narrow.

For that reason, the Panama Canal is at the moment not an important energy "highway." That should change with the historic expansion of the canal. An international consortium is building a system of additional locks that can handle much larger vessels. Today, only smallish ships of the so-called "Panamax" class of up to 80,000 deadweight tons (dwt) can pass. The expansion will take the upper limit of ship sizes to 120,000 dwt, able to carry roughly 680,000 barrels of crude. Something like 80 percent of the existing worldwide LNG shipping fleet will be able to pass through the "new" canal. However, there is doubt about just when it will be finished. The expansion was first approved more than seven years ago, but is now far over budget and behind schedule. The original price tag was supposed to be \$5.2 billion, but that may reach \$7 billion on actual completion. Its opening has slipped from October 2014 to the end of 2015 or early 2016. But the delays do not alter the fact that the canal expansion could alter LNG trade patterns. Completion should coincide with the opening of the first major LNG export terminals on the U.S. Gulf Coast. When these facilities come online, they ought to find Asia suddenly much nearer.

Projects and agreements, numbers and costs

The expansion could provide opportunities for American LNG exporters in the global marketplace. Cheniere Energy hopes to be the first American supplier to begin operation with its Sabine Pass facility in Louisiana. Cheniere already has signed a twenty-year contract with Korea Gas, which expects to purchase 3.5 mtpa beginning in 2017. A comparable contract has been reached with Gail India, calling for deliveries beginning in 2016. Canal expansion will allow the company to cut both the time and cost of its deliveries. According to the Panama Canal Authority, Cheniere's travel times could be cut from 63.6 days to 43.4 days, reducing shipping costs by as much as 24 percent, according to the Bloomberg Agency. Another possible winner is the Cameron LNG facility, which received final approval from the U.S. Department of Energy in early September. The \$10 billion project is owned by Semptra Energy, with a 50.2 percent stake. Three other companies each own 16.6 percent: France's GDF Suez and two Japanese firms, Mitsubishi and Mitsui. For now, the American LNG export trade is still more theory than fact since, while the gas is there, the necessary infrastructure is not. It now looks like the Panama Canal expansion will be completed just in time to make possible a major expansion in LNG trade flows between the U.S. and Asia - but perhaps not so much to Europe.

James Hansen provides financial reporting and international relations consulting to major Italian companies. He came to Italy as the U.S. Vice-Consul in charge of economic affairs at the U.S. Consulate General in Naples. He became a correspondent for various leading foreign press organizations, including the *International Herald Tribune*. Then he was appointed spokesman for Carlo De Benedetti, Silvio Berlusconi and, finally, head of the press office of Telecom Italy.

MARKET TRENDS

Oil price is falling.
Okay, panic?

A worsening economic outlook and oversupply push Brent below 100 \$/b

Oil prices

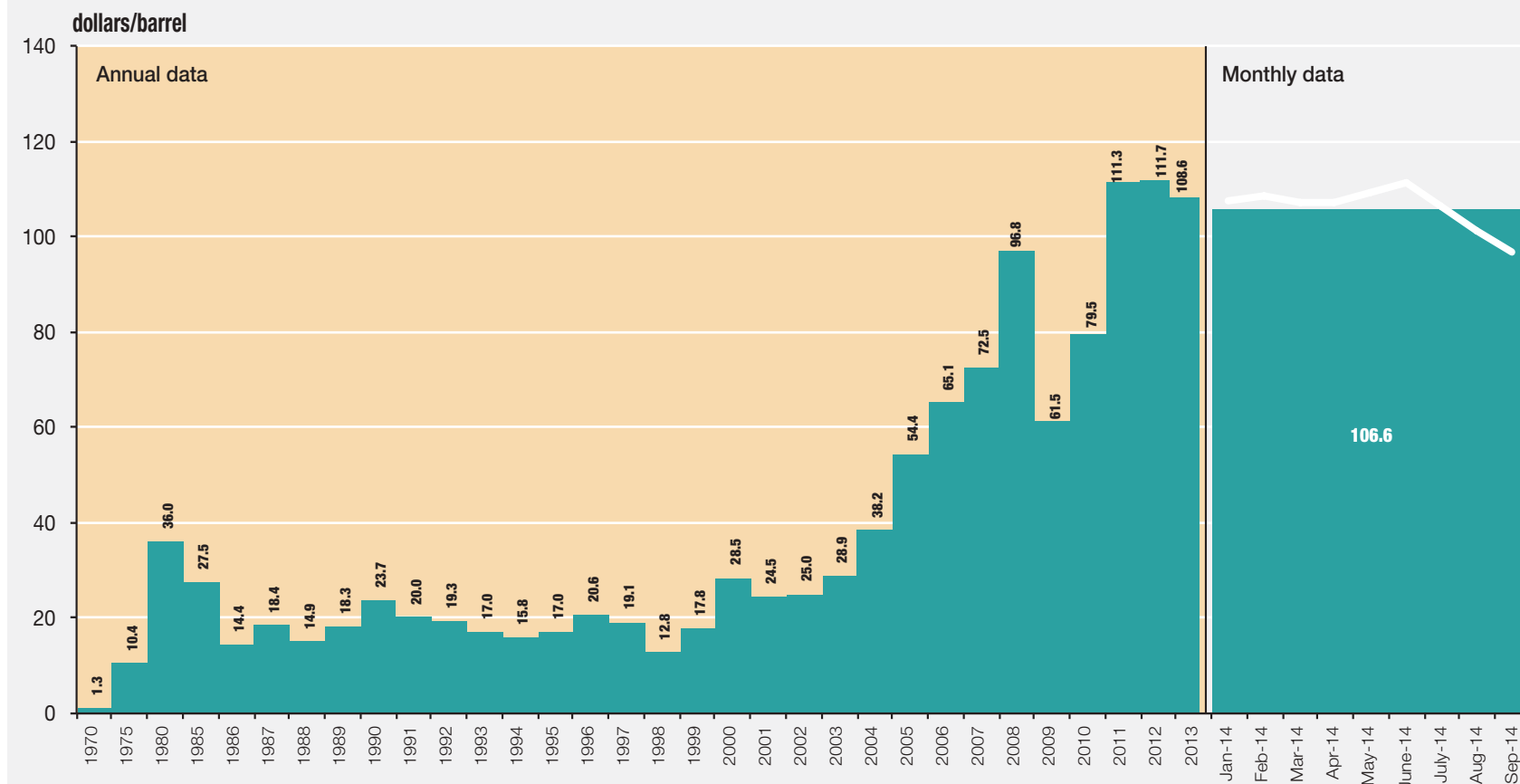
Since July, Brent price has been falling and, at the beginning of September, decline below 100 \$/b, the support level since 2011. The decrease continued in October, when prices moved downward in the range 80 -85 \$/b, the lowest levels since 2010. Different key factors are behind Brent fall:

- the worsening of economic outlook—first of all the Chinese slow-down and negative European data. The International Monetary Fund (IMF) revises downward its forecast for global economic growth for 2014 and 2015; the economy slowdown causes the weakness of oil demand, with IEA that has halved the forecast of the annual oil demand in the last three months;
- oversupply—the record growth in non-OPEC production, mostly located in U.S.A., the Libya's recovery and the increase of West African production brought about an oversupply. Geopolitical risk has been overshadowing while the fall in U.S. imports increased the availability of crude looking for new markets;
- Saudi Arabia on standby—the country, which increased production to offset the drop in Libyan production during the new crisis in the middle of 2013,

- has not been cutting volumes after the recent fall in prices and decided to reduce its official prices, in particular for Asian customers, in order to protect its market share. It's necessary to wait until the OPEC meeting on November 27 for any decisions. Nowadays Riyadh is supposed to stress its central role in the market, also to distract attention from U.S. record growth;
- financial market reactions—the markets sentiment has changed, non-oil operators (funds, speculators, etc.) seriously reduced their long positions in the oil market, penalized by worse fundamentals and economic outlook;
- strengthening of the dollar—the different U.S. and European monetary policies and the different growth potential of the two areas result in an increase in the dollar, the reference currency for the oil market, contributing to the price drop.

Are we facing a cyclical phenomenon or a new equilibrium with lower prices? Doubts are growing over what could be the new equilibrium price of crude: the current bearish factors may be constrained by the upstream costs (on stream and future production) and producing countries fiscal prices, evaluated in the range 90-100 \$/b.

BRENT PRICES

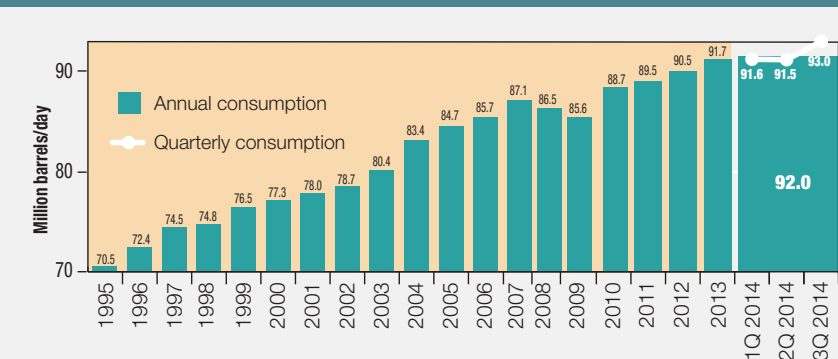


Source: IEA, Arabian Light spot price (1970-1985); IEA, Brent spot price (1986-1987); EIA-DOE, Europe Brent spot price FOB (from 1988)

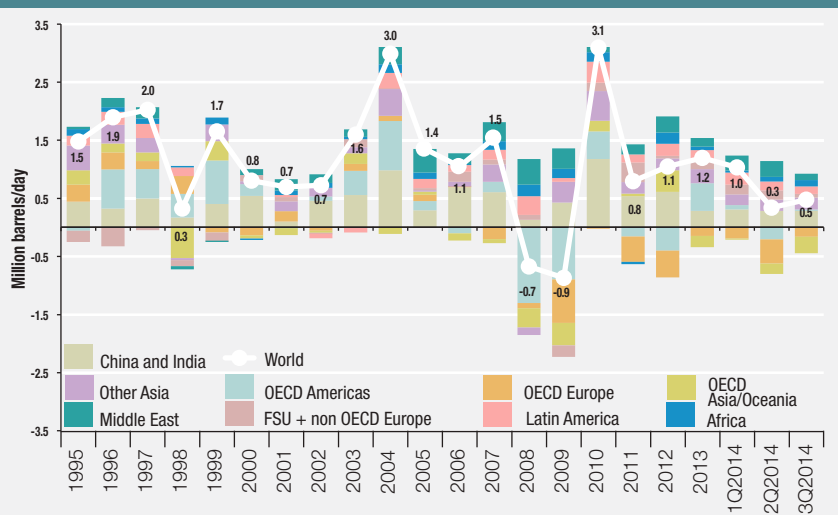
Oil demand

In the third quarter of 2014, global demand for oil reached 93 mb/d, an increase of 0.5 mb/d compared with the same period in 2013. The OECD weak demand trend continues (0.4 mb/d), while non-OECD consumption is growing (+0.9 mb/d) albeit with subdued conditions since the beginning of the year (2.6% in Q1, 2.5% in Q2, 1.9% in Q3). OECD Americas demand is stable as a result of growth in the USA and a sharp fall in Mexico. Specifically, in the USA, gasoline demand recorded positive changes thanks to improving labour market conditions and to increasing miles travelled. The recovery path experienced by diesel was consolidated, in line with the improvement in economic activity and commercial transportation. The Mexican demand fall, on the other hand, is related to an increase in the use of natural gas rather than fuel oil in the power sector. In Europe, demand continues to fall to reflect the now noticeably reduced macroeconomic outlook (-0.2 mb/d). OECD Asia Oceania, demand fell strongly (-0.3 mb/d), linked, on the one side, to an economic slow-down in Japan and, on the other side, to power-sector switching out of oil and into cheaper alternatives such as coal. Demand in non-OECD countries reached 47.1 mb/d in the third quarter of 2014, confirming that it overtook demand in OECD countries (45.9 mb/d), which happened for the first time in the first quarter. Demand in China stood at 10.3 mb/d (+0.2 mb/d), slowing down considerably compared with the last four years (+0.5 mb/d yearly average 2010-2013). Industrial production in August reached the lowest level since 2008, and a new action by the government to break the generally weak underlying trend appears to be more necessary than ever. All of this is reflected in a fall in diesel demand, also affected by the gradual removal of subsidies, which have been in place since March 2013. Consumption of gasoline, LPG and naphtha, on the other hand, continues to grow, especially thanks to the increase in private transport and the expansion of the petrochemical industry. In January 2013, India also decided to gradually remove subsidies on fuel, particularly diesel, which reached prices close to international levels, with a depressive effect on demand.

GLOBAL CONSUMPTION

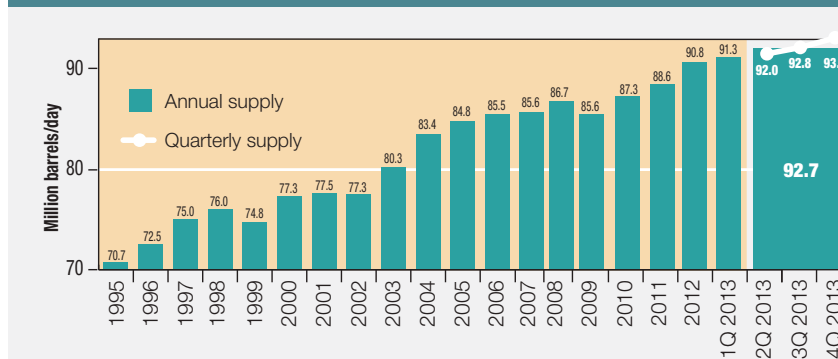


CHANGES IN GLOBAL CONSUMPTION BY AREA

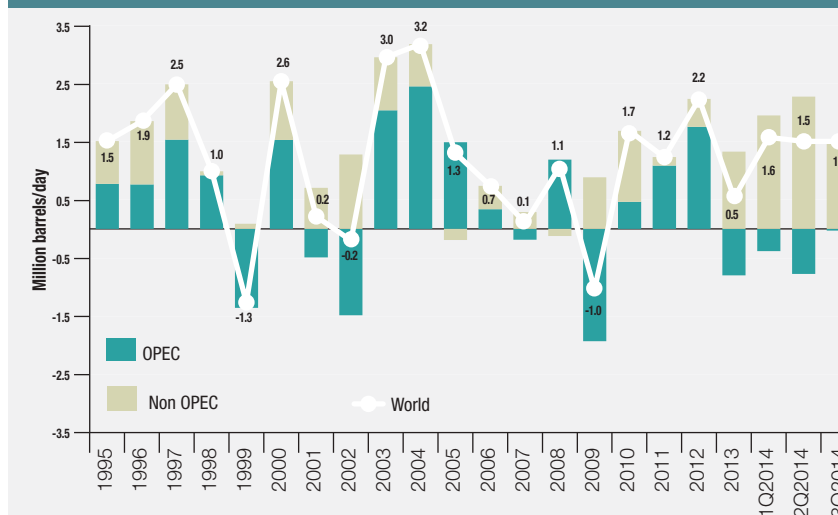


Source: Eni's elaboration on IEA data; change vs the same period of the previous year

GLOBAL SUPPLY



CHANGES IN GLOBAL SUPPLY BY AREA



Source: Eni's elaboration on IEA data; change vs the same period of the previous year

Oil supply

Global oil supply in the third quarter of 2014 set a new record (93.2 mb/d) and strong increases have continued to be recorded for three quarters (+1.5 mb/d). Last year only non-OPEC countries showed positive increases, in the light of the continued reduction of OPEC production, penalized by geopolitical crises. The United States leads non-OPEC growth (+1.4mb/d), thanks to the development of tight oil, which currently represents more than 40 percent of the country's crude production. The output level of U.S. oil, which is presently close to 12mb/d, remains stable above the production of Saudi Arabia and Russia. Among the other producers, Brazil stands out with one of the highest increases last year (+0.26mb/d); alongside the positive results of the most recent pre-salt plays, production levels in the Campos Basin are also starting to rise again. Unlike at the beginning of the year, growth in Canada remains modest because of the output of synthetic crude and the maintenance that involved numerous projects. Within the OPEC, the situation was essentially stable compared with last year, even if the domestic situation in countries suffering from the crisis, continues to create difficulties. In Libya, production during the quarter increased continuously, reaching 0.8 mb/d in September in spite of its chaotic domestic situation. There are still many doubts surrounding the sustainability of this recovery because of the fragility of the political situation and difficulties of a technical nature. In Iraq, the advance of ISIS is arousing concerns at international level, far more extensive than the current problems with supply. Production controlled by the jihadists is currently estimated at 0.5 mb/d (compared with the country production of 3.3 mb/d), but crude exports from the south of the country are not affected; in addition, in the north, the Kurdish government has been exporting limited quantities to the Mediterranean for several months via an independent pipeline. The question of Iran still remains open; there will be a new round of negotiations by November between Iran and P5+1 countries. The OPEC meeting scheduled at the end of November could establish a policy to curb supplies in order to support prices, which have slipped toward 2010 levels. At the moment Saudi Arabia seems does not intend to reduce its market share in favor of other producers, reconfirming in September the previous month production levels.

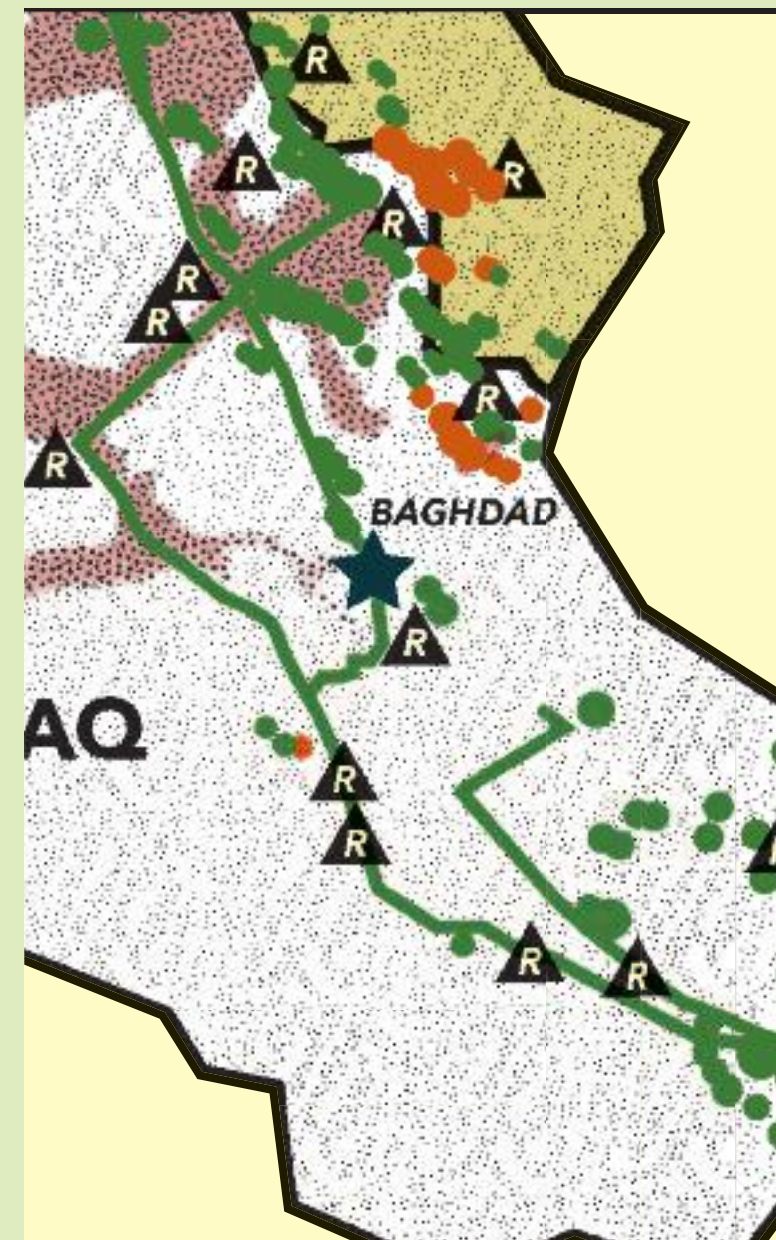
The caliphate's oil

Oil



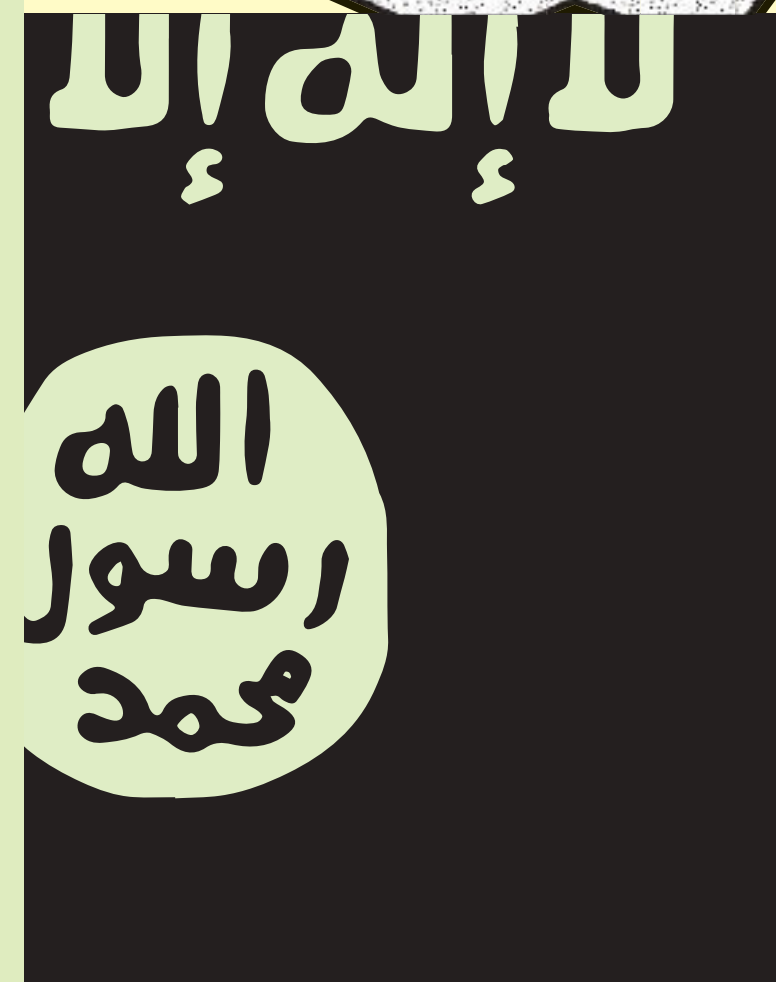
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3.000

al giorno (25



IRAQ
140,300 mn bbl
3,158 bn m³

Libya

48,470 mn bbl

1,551 bn m³

Syria

2,500 mn bbl

285 bn m³

Egypt

4,400 mn bbl

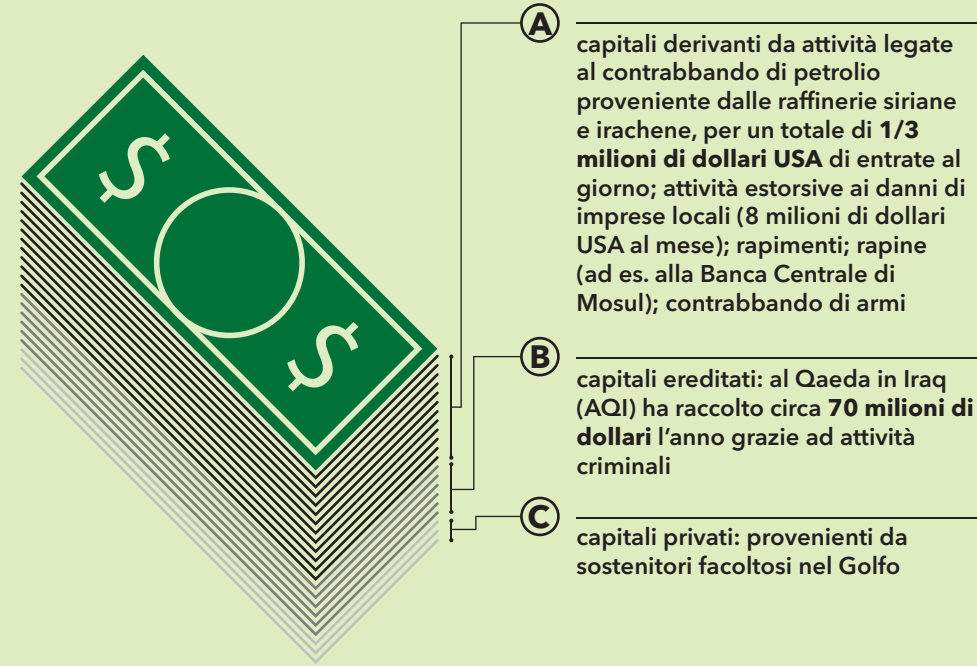
2,185 bn m³





Stato Islamico detto anche Stato Islamico dell'Iraq e della Siria, Stato Islamico dell'Iraq e del Levante, Da'esh (acronimo arabo) e Dawla (cioè Stato)

FINANZIAMENTI



IL CONTROLLO DELL'ORO NERO



Petrolio
50.000
barili al giorno

GIACIMENTI

Lo Stato Islamico ha preso il controllo di **11 giacimenti** di petrolio in Siria (al Omar e al Tanak, nella Valle dell'Eufrate; Shadada, al Houla e Jbeissa nella provincia di Hassakeh) e in Iraq (piccoli giacimenti petroliferi nella provincia di Salahuddin e nella provincia orientale di Diyala, tra cui Ajeel e Imrin, e la raffineria petrolifera di Baiji)

PRODUZIONE

L'Isis controlla il **60%** della capacità di produzione di petrolio della Siria. Prima del conflitto, la capacità di produzione della Siria era pari a 385.000-400.000 barili al giorno, quindi il 60% equivarrebbe a più di **200.000 barili al giorno**. Ma da ciò che trapela dalla Siria, l'Isis sembra essere in grado di produrre soltanto **50.000 barili circa al giorno**

RICAVI

Dai 25 ai 60 dollari USA a barile, per un totale di **3 milioni di dollari USA** al giorno (prezzo standard internazionale: 90 dollari)

3.000.000 \$
al giorno (25 - 60 \$ a barile)

DICASTERI



FINANZA
una sorta di super ministero dell'Economia



ARMAMENTI
il nostro ministero della Difesa



OPERAZIONI MILITARI
gestisce le attività di occupazione

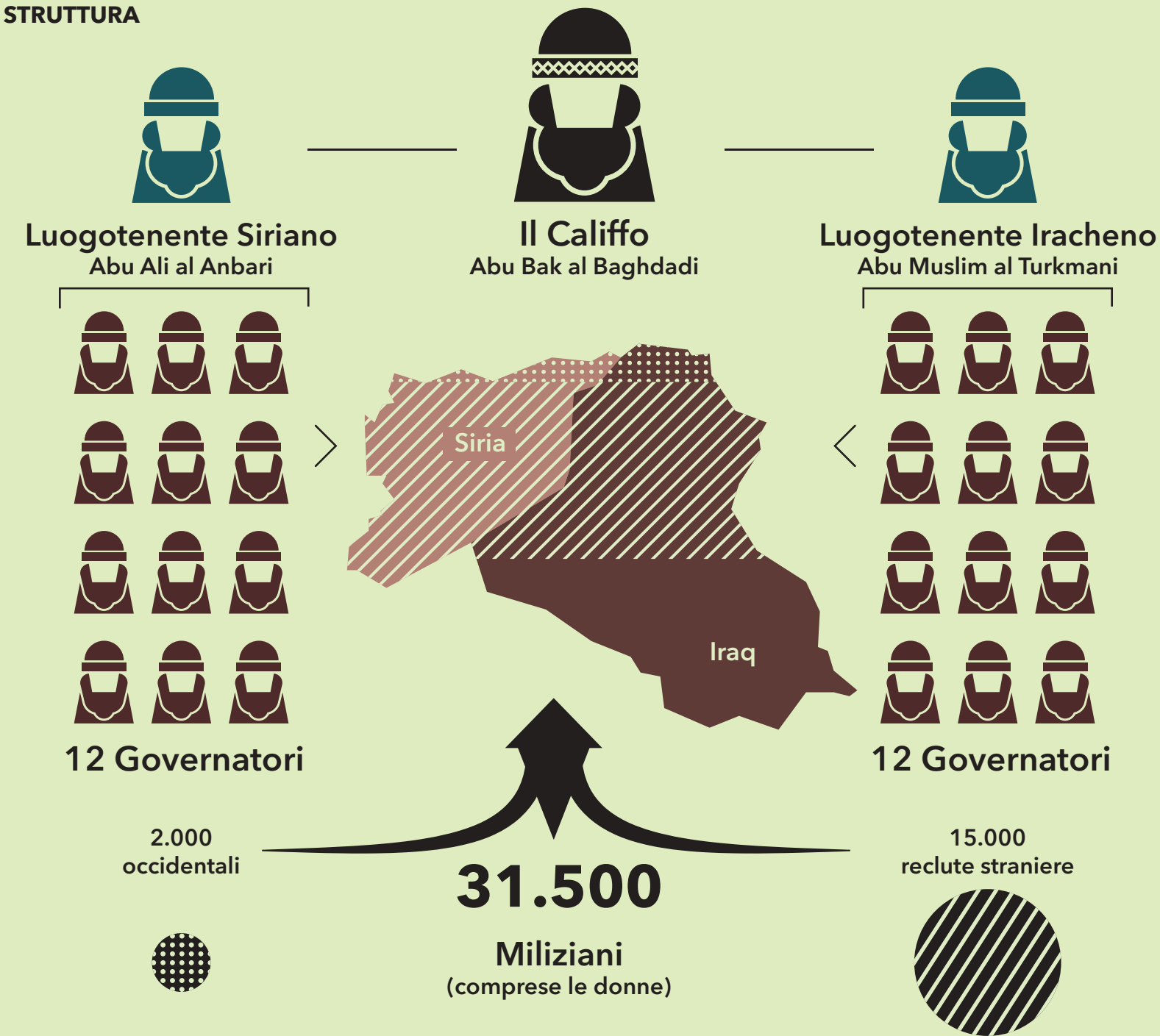


IMPOSIZIONE DELLA SHARIA
al quale fa capo il controllo sull'applicazione della legge religiosa



COMUNICAZIONE
con il controllo di tutte le attività di propaganda del Califfato

STRUTTURA



La struttura dello Stato Islamico è una **piramide** pensata fin nei minimi dettagli per far funzionare il Califfato sui diversi fronti, da quello finanziario a quello militare e mediatico. Al vertice si trova l'autoproclamato Califfo, sotto il quale ci sono i due vice, che coordinano ciascuno 12 governatori, ognuno dei quali risponde di una sotto-regione. Lo schema, in larga parte, riprende il modello degli stati americani, anche se i 24 governatori, in tutte le materie di loro competenza, devono poi rispondere ai due vice del Califfo. E questo perché l'Isis, al di là di esigenze organizzative e di meccanismi di gestione federalisti, resta uno Stato unico, molto centralizzato nelle leve del potere.