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~~SECURITY ANALYSIS~~

Mr President:

December 20 2003

With the prospect of returning sovereignty to the Iraqis in six months, and knowing that we will meet Monday morning, I thought it useful to give you my analysis of the current situation and the implications of that assessment for our priorities in the immediate months ahead.

We have already achieved a great deal. Our success depends on our ability to demonstrate convincingly our intention to stay the course until we have stabilized Iraq and given it the opportunity to repair its economic and political infrastructure.

Security analysis

It is too early to assess the overall effects of Saddam's arrest. Hopefully it will lead many opponents to accept the inevitability of our vision for Iraq. We are pulling out all stops to encourage this trend. And it should start Iraq on the long path of coming to terms with its past.

In the short run, however, we should expect an upturn in violence from our enemies. They will want to show their continued relevance. And international terrorists in Iraq are unlikely to be deterred by the arrest. They could decide that the removal of a secular dictator offers them opportunities to extol their radical Islamism. There are signs of increased activity by these killers.

Since September the enemy has shown signs of regrouping and becoming more sophisticated. He has been adopting his tactics, using more standoff weapons. His strategy is to break the will of those cooperating with the Coalition, whether Iraqis, NGOs or other Coalition countries.

But our opponents lack political support among the population which is glad to see Saddam and his cronies gone. They are a small minority. Their only hope is to encourage the fear that they will outlast us and come back to power. Saddam's capture will help dispel this myth.

Iraqis are ambivalent in their attitude toward our forces. On the one hand, as proud nationalists, they resent being occupied. On the other hand, Iraqis have a keen appreciation of the risks of our premature departure. For example, 86% of Iraqis in the north recently told pollsters that they want Coalition forces to stay for at least a year after an elected government comes to power. According to the most recent poll, in the past three months support for continued coalition military presence has almost doubled in Baghdad and Basra and 73% of Iraqis would feel "less safe" if our forces left immediately.

In sum, our success depends on our political will and our ability to demonstrate convincingly that we will stay until we succeed.

Security Priorities the next Six months

- 1. Our top priority is to restore Iraq's ability to provide for its own defense. It is their country and they should ultimately be responsible for its security.**

We will do this by accelerating the establishment of the Civil Defense Force and by training a professional police and army. Polls show that the Iraqi people have confidence in these forces. We will develop the Iraqi National Security structure. We will establish a Ministry of Defense, and appoint a Minister by April 1. And we will create a new Iraqi intelligence service.

Giving the Iraqis more prominence in the security field is already paying dividends. In recent weeks all divisions report a marked increase in HUMINT. We should see an up-tick in this kind of reporting in the wake of Saddam's arrest.

But we need to remember that the quality of Iraqi forces varies. It will be some time before they will be capable of providing real security. In our public comments about the role of these forces, we need to avoid the impression that we are pushing them forward to justify a drawdown of Coalition forces.

- 2. We will negotiate a security agreement providing for continued American and Coalition military forces here after we turnover sovereignty.**

Security will be our responsibility for a long time to come. This will conflict with our desire not to be seen as "occupiers". Ending the formal state of "occupation" in June will help, but our continued troop presence will still look to many Iraqis like an "occupation." The more Iraqi faces we can put on the front line the better.

Negotiating this agreement will be difficult because it will run counter to marked nationalistic Iraqi emotions. We can ease the process by couching our requests by portraying them as necessary for Iraq's security and by making Iraq effectively a member of the post June 30 "coalition".

Our security posture must be determined by the situation on the ground. If we should come to need more or different kinds of troops to win, that is what we should have. The same goes for our operational plans. Pulling out of selected cities makes sense only if it contributes to better security, not just for our forces but for Iraq.

Political developments analysis

We are entering an unprecedented period in Iraq's 8,000 year history. In the next six months, we must mid-wife a Law on Administration, (effectively an interim constitution), and a Transitional Legislature and put in place the process leading to Iraq's first free full elections in 2005. It will not be easy and success is by no means guaranteed.

The overriding characteristic of Iraqi politics today is distrust. Each community has its own particular nightmares.

- Shias have been denied proportionate power for hundreds of years. Their nightmare is that, with the prize at last in sight, it will be snatched away.
- Sunnis, having denied others power for centuries, now fear that it is payback time and that democracy's central pledge, majority rule, means the minority will be crushed. Their nightmare is that the Shia will do to them what they have long done to the Shia.
- The most popular Kurdish saying is that "only the mountains are our friends." They have too often been betrayed over the centuries to trust anyone but themselves—and even there... Their nightmare is that Iraq will fall apart and they will be left on their own.

Iraq's political infrastructure is weak. Polls consistently, and unsurprisingly, show disdain for politicians and political parties. There is no obvious national leader on the horizon. Iraq's exiles generally lack support and credibility; most internals lack broad political agendas and experience. Very few of either variety have begun building political support beyond their ethnic or sectarian bases. Two thirds of Iraqis cannot name even a single leader they trust.

There are, however, some positive factors in our favor.

1. The political instincts of most Iraqis are supportive of the American vision for Iraq.

- * Polls show that there is strong support for American values among urban dwellers (freedom of speech, religion, assembly).
- * The overwhelming majority of the population wants the country run on basis of free and fair elections and wants nationality and religious groups to share power.
- * More than 70% favor equal rights for women.

2. The most popular political model is multiparty democracy.

***Overall only 10% of the population favors Iranian-style theocracy.**

***Shias appear to be more moderate and, except for residents of the holy city of Najaf, they do not favor theocratic govt.**

3. Despite their differences, Iraqis have a sense of "nation". They have a deep and broad love of their history, culture and land. They have a strong distaste for foreign intervention as shown by their reaction to the Turkish troop offer and by their dislike of being "occupied." Even in the Shia heartland, Iranian machinations are not generally welcomed.

4. The common nightmare of Saddam's repression may lessen mutual distrust. Shia and Sunni, Kurd, Christian and Turkomen—these who lived here—all fear a return to brutality.

5. Finally, the Iraqis are clear-eyed about their own bitter divisions. They know that they don't trust each other. This explains the apparent paradox when polls show that, while Iraqis don't like being occupied, they also don't want our troops to leave until Iraq is stable. Most Iraqis recognize that if the Coalition leaves too soon, they may face civil war or foreign intervention.

Political Priorities for the next six months

- 1. We will work with the Governing Council, Shias, Sunnis and Kurds to implement the November 15 agreement and gain acceptance to our broader political vision for Iraq.**

The key will be to convince all communities that the process is not zero-sum and that each of their interests is best served by successful implementation of that agreement. We will work closely with the Governing Council to write a Law on Administration which enshrines the protection of fundamental rights. We will work to bring into being a representative Transitional Government by the end of June. We will use our revitalized TV stations to encourage broad public discussion of Iraq's future.

- 2. We will pursue a robust engagement policy with the Sunnis.**

Using our new Office of Provincial Outreach, we will devote time, people and money to the dialogue. We will use the opportunity afforded by Saddam's capture to show them they have a future in the new Iraq. We will continue to encourage the Iraqis to pursue a moderate deBaathification process which offers the prospect of returning most party members to normal life.

- 3. We will develop the country's adherence to the rule of law.**

We will set in place institutions of justice, including an Office of Public Integrity, Inspector Generals in all ministries, and a system of broad financial disclosure for all top officials.

- 4. We will begin the reform of the civil service to ensure that Iraq has a capable and honest government.**

Working with the British, we will design a reform program which includes training in modern financial accounting procedures for all ministries.

Economic analysis

There is good news on the economic front, notwithstanding the return in recent weeks of long gas lines. The restoration of essential services is gaining momentum. Power generation is back near pre-war levels. With determination (and by God's grace) it will match estimated demand by the summer. Hospitals and schools are open. Potable water and pharmaceutical supplies are more widely available than before.

In every major city polled, despite their continued concern about security, urban dwellers cite a dramatic improvement in their neighborhood over past three months. They consider life today better than a year ago and express hope for the future.

*** Since liberation, we have raised teachers' salaries 12 to 25 times over pre-war levels. Doctors' pay is up eightfold; university professors 12 times. Pensions for civil servants are up tenfold. Police salaries have quadrupled.**

*** In the past six months, we have completed over seventeen thousand reconstruction projects across the country. This includes everything from repairing schools and hospitals to rebuilding roads and bridges.**

This pump priming has engendered thousands of new businesses all over the country, providing employment and stimulating secondary economic activity. Judging from the stable exchange rate of the New Iraq Dinar, inflation appears to be low. The NID's introduction across the country has proceeded smoothly to date with over 87% of the new bills in circulation.

Nonetheless unemployment is still high, though probably not the 50% frequently cited. Our internal estimates place it at 20-30%. So creating jobs fast is our single most important challenge.

Economic Priorities for the Next Six Months

1. Our immediate priority is to create local jobs and improve lives through reconstruction projects.

Between now and July 1, we will put almost \$500 million to job creation through a variety of channels. This is more than double our rate of spending on such programs the past six months. Our hope is that as these funds are depleted, large projects funded by the supplemental will kick in and accelerate economic momentum.

2. We will prioritize and accelerate those projects funded by the supplemental which can produce jobs and/or visible economic benefit to the largest number of people the most quickly. Electricity generation tops the list.

3. Job creation in turn depends on getting credit out into the economy.

The state owned banks have proven unable to do this, although 83% of their branches around the country are currently open. We have established several mini and micro loan programs which are being expanded. Within a month, we expect to award licenses for several foreign banks to operate in Iraq. But it will be a half year before they start to make loans.

4. We will try to persuade the Minister of Oil to take the first steps to reform Iraq's oil industry. We will encourage him to reestablish the Iraqi National Oil Company and to establish the framework of an oil trust to ensure that each Iraqi citizen sees immediate benefits from the country's oil reserves.

5. We have set Iraq on the path to a responsible fiscal policy by producing balanced budgets for 2003 and 2004. It will be important to continue responsible budgeting as revenues increase in the coming years. We will accelerate the preparation of the 2005 budget, with initial budget calls to ministries in April.

Despite the urging of the International Monetary Fund, there are three major economic decisions which we will postpone.

1. Because we will prioritize job creation, we will not press to close down state owned enterprises. While these are value-destroying organizations, their reform will necessarily entail restructuring their employment base and a stronger domestic consensus than now exists. Where a particular Minister calculates that he can privatize an SOE, we will encourage him to do so.
2. We will postpone action on liberalizing energy prices. Here, too, the economic and commercial arguments in favor of reform are strong.

But these are outweighed by the political consequences of such a major reform at a time of insecurity and political debate.

3. We will keep open the possibility of taking the first step to reform Iraq's food ration system. Since some 60-70% of the population depends on this monthly "food basket", changing the system, though economically compelling, will go forward only if the Iraqi authorities are decisively in favor and test programs demonstrate popular support.

Organizational Priorities

Finally a word on organization.

1. We will work over the next six months to ensure that the CPA makes an orderly transition into an American Embassy when sovereignty is transferred.
2. And we will take steps to transition the Program Management Office into an appropriate structure to oversee the management of projects funded under the supplemental in a way which allows the US government to retain significant leverage for the US after the return to sovereignty.

Best wishes for Christmas and a Happy New Year.

Jerry

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Site: IRAN

Iraq: Shi'a Cleric Power Dynamics



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OSD Policy
March 15, 2004

Iranian Influence in Iraq

- CIA will lead a discussion on "Iranian Influence in Iraq" (no paper provided).
- We should consider measures to counter Iran's continued violent meddling in Iraq.
- Iran is directing an overt and covert campaign to maximize its influence in Iraq. Tactics include political action, propaganda and media, economic aid, exploitation of religious ties, subversion and use of **violence** through its proxies.
 - Iran is providing continued support and safe-haven to Al-Qaida and Ansar al-Islam terrorists who are behind some of the attacks against Coalition forces in Iraq.
 - In the current environment, the Iranians are confident that through proxies (e.g. Ansar al-Islam, Badr Corps, Hizballah etc.) it can carry out attacks against coalition forces **not traceable** to Iran.
- Up to now we have ignored Iran's activities in Iraq.
- We should deter key Iranian organizations who are responsible for directing destabilization activities in Iraq, such as the Islamic Revolutionary Guards Corps (IRGC) – including its elite Qods Force, by:
 - **Capturing** key or senior IRGC Qods officers and/or intelligence operatives and Iran-linked proxy groups.
 - **Tightening** security at border crossing points between Iran and Iraq. (CJTF claims 7,500 Iranians/day illegally crossing the border; 20-30,000/day during this latest religious holiday).
 - **Closing** down Iran's intelligence operations in Iraq. (The U.S. successfully undertook a similar strategy toward Iranian operations in Bosnia in the late 1990s).
 - **Exposing** Iran's activities to the media in Iraq, Iran and throughout the region (especially if any arrests of IRGC and other operatives are made).
 - Ensure Radio Farda, VOA services and Al-Iraqiah delivers such information.

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- There continues to be a stream of intelligence reporting which suggests Iran is planning to conduct -- through proxies -- a mass casualty attack against coalition forces in Iraq.
 - These reports have given us "strategic warning" of Iran's intentions. However, given Iranian deception and operational security measures, we cannot count on receiving unambiguous tactical warning before an attack.

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COALITION PROVISIONAL AUTHORITY
BAGHDAD

20 August 2003

MEMO TO: Paul Wolfowitz, Deputy Secretary of Defense
FROM: Paul Bremer, Administrator <signed>
SUBJECT: Attack on UN in Iraq; Steps in Response

This responds to questions posed by a meeting of Deputies in Washington on the attack on the UN headquarters in Baghdad on August 19, 2003. Responses to those questions are provided below. We reviewed our security and intelligence postures and the results of those reviews are also provided in brief below.

With regard to the questions, four of the five addressed what the Governing Council (GC) should and could do.

RESPONSES TO QUESTIONS POSED BY THE DEPUTIES:

What should/can the GC do?

I used my regular Wednesday meeting with the Governing Council to get them focused on the need for quick, decisive action in the wake of yesterday's bombing. I told them that the GC was facing a decisive 12-24 hours in which they had to show the Iraqi people that the Council was prepared for serious action.

I proposed six immediate steps, many involving a much more aggressive and coordinated press and information campaign by Council members (interviews, "town

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hall" meetings in their districts, convening a meeting of the nation's governors). We have offered full support in all these measures.

I tabled a draft statement for them to make which clearly identified the attack as directed against the Iraqi people and the international community. As it emerged from their redrafting, the statement issued calls for the Iraqi people to support and join the Iraqi police force, the New Iraqi Army and the Iraqi Civil Defense Corps. It also calls on friendly nations to support the Iraqi people in establishing security and stability. We may be able to use this last phrase as an invitation to countries to send troops to the coalition.

How do we get the media message out to the Iraqi people?

- Three members of the GC toured the UN site yesterday, and made statements there to the press.
- A GC member joined me for interviews with all the Arabic satellite networks and the Iraqi Media Network later yesterday evening.
- After a GC meeting today, several members were interviewed by the Arabic press and Iraqi Media Network.
- Acting GC President (Ahmed Chalibi) will hold a press conference this afternoon for Iraqi, Arabic, and international media.
- Over the next several days, small groups of GC members will visit the UN site each day, accompanied by the Iraqi and Arabic media, much like U.S. officials visited Ground Zero following 9/11.
- The most senior Iraqi Police official (Gen. Ahmed Ibrahim) will hold a press conference within a couple of days, regarding the investigation.
- GC members will visit their home cities and hold town hall meetings.
- The GC will invite all the governors from across the country to a meeting in Baghdad.

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SECURITY AND INTELLIGENCE POSTURES

Facility and Personnel Security

We have periodic reviews of the force protection plan, policies and measures in place to secure CPA facilities within Baghdad. Immediately after the bombing of the Legation from Jordan, we reviewed all of our force protection arrangements and we reviewed them again today. As a result of these reviews, we found a few areas where upgrades were justified, including an increase in guard personnel and the installation of additional barriers to further control traffic and serve as blast and sniper shields.

Today we also reviewed with CJTF our program to assist foreign legations and missions in providing for their own security. A security team from CENTCOM has been providing assessments on the security needs of foreign missions of Coalition members to those who have requested them. We have convened a meeting for this Friday with the thirty plus foreign missions present in Baghdad. We will offer all missions security surveys of their facilities including improvements that they may wish to make to enhance their security. We will also determine if there are additional security measures that we might be able to provide consistent with available resources. This will further enhance and tighten existing arrangements that include established links between a number of foreign missions and US forces located in their neighborhoods.

Intelligence

Intelligence is the cornerstone of our security and we pay a great deal of attention to the quality of the intelligence that we collect and analyze here in addition to the vital intelligence that we receive from Washington (writ large). I reviewed our intelligence structure and capabilities again this morning with the following actions and findings:

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- I directed the organization of a nucleus that will address the current threat, analytically and operationally. [It consists of CIA, NSA, NIMA, DIA, Military, FBI and local security elements. My particular concern is to have a much more robust counterterrorism capability.]

- Separately, I have urged that pending requests that [the Station and Military] have before their headquarters for additional personnel be met immediately. These requests concentrate on the area of [HUMINT intelligence] and include additional case officers, analysts and qualified debriefers. Arabic language capability is extremely important.

- [We also need additional technology that would enable and facilitate the analysis on the ground of signals intelligence that currently must be sent to Washington and returned before action can be taken. This has been specified through both OGA and Military channels.]

- We have an urgent need for additional interrogators so that we can debrief detainees more rapidly. Augmentation of our technological capabilities in this area is also needed as recommended in military channels.

In reviewing our intelligence needs, [in particular those of the CIA,] a general theme emerged: we need to balance the effort now being applied to finding weapons of mass destruction with an equal effort against enemies who are killing our people today.

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INFO MEMO

16 April 2004

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

From: Reuben Jeffery

SUBJECT: Oil Revenue Windfall

You asked about the windfall of revenue for 2003 and 2004 reaped by major oil/fuel exporting countries from unexpectedly high petroleum prices.

- The OPEC basket target range has been \$22-28 per barrel, yet in 2003 the basket averaged \$28.08, and in the first quarter of 2004 it averaged \$30.33.
 - Saudi and Iraqi prices roughly averaged \$1.40-1.60 below the basket.
- We have calculated oil revenue windfalls using DOE forecasts as the revenue benchmark and assuming that 2004 prices and exports will maintain the same levels as in the first quarter of 2004.
 - The numbers include all fuel exports (oil and petroleum products), and conservatively attribute crude oil prices to the more expensive petroleum product exports.
- Revenues in 2004 are projected to be the same or higher than in 2003, but windfalls should be less since forecasters have adjusted to a higher price range begun last year.
 - The exception is Iraq due to rising exports.
- Saudi Arabia.
 - Based on reported estimated fuel export revenue for 2003 of \$85 B, the Saudis had revenue windfall of \$31 B.

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- One leading expert estimates that 2003 revenue neared \$95 B, bringing the windfall to \$41 B.
 - 2004 windfall projected to reach \$15 B.
- Kuwait: 2003 windfall of \$8 B, and 2004 of \$5 B.
- Iran: 2003 and 2004 windfall each of \$6 B.
- Russia: 2003 windfall of \$9 B, and 2004 of \$7 B.
- For Iraq, it is more instructive to use CPA's budget as a benchmark.
 - For 2003, the windfall was \$2.8 B.
 - For 2004, if export targets are met and prices maintain the same average, a windfall of \$7.4 B.
 - Under these assumptions, Iraq's 2004 revenue will reach \$19.6 B, while CPA projected \$12.2 B.
 - DOE forecasts \$16.6 B in revenue, yielding a windfall of \$4.4 B.
- TAB B provides details.

COORDINATION: None

Attachments:

As stated

Prepared by: (b)(6)

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ESTIMATED OIL REVENUE WINDFALL OF MAJOR EXPORTERS

(Revenues are in billions of dollars);

(Exports are delineated in million barrels per day)

2003	Forecasted Price	Forecasted Exports	Forecasted Revenue	Actual Price	Actual Exports	Actual Revenue	Revenue Windfall
Iran	\$22.80	2.27	18.7	\$26.37	2.54	24.4	5.7
Iraq (postwar)	\$21.66	0.55	2.3	\$26.42	0.91	5.1	2.8
Kuwait	\$21.95	1.48	11.8	\$25.62	2.04	19.0	7.2
Saudi Arabia	\$22.19	6.64	53.8	\$28.45	8.30	85.8	31.2
U.A.E.	\$24.59	1.97	17.7	\$28.42	2.34	24.2	6.5
Russia	\$26.12	5.37	51.2	\$28.65	5.76	60.2	9.0

2004	Forecasted Price	Forecasted Exports	Forecasted Revenue	Actual Price	Actual Exports	Projected Revenue	Projected Revenue Windfall
Iran	\$25.38	2.40	22.3	\$28.66	2.64	27.6	5.3
Iraq (postwar)	\$25.43	1.86	12.2	\$28.92	1.86	19.6	7.4
Kuwait	\$24.66	1.88	17.0	\$28.04	2.13	21.6	4.6
Saudi Arabia	\$25.48	7.40	69.9	\$28.95	8.83	84.8	14.9
U.A.E.	\$27.35	2.22	22.2	\$31.11	2.36	26.8	4.6
Russia	\$27.58	6.26	63.2	\$31.37	8.16	70.4	7.2

Notes:

Actual revenue in 2004 for all countries except Iraq is based on projecting from 2004 data, viz. the same level of exports and prices are maintained.

Forecasted and actual revenue for all countries except Iraq are based on DOE figures.

Saudi 2003 revenue based on Financial Times and consensus of leading experts.

Iraq forecasts are derived from CPA budgets.

Iraq 2004 revenue is based on targeted export levels and the continuation of 2004 prices for the rest of the year.



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