

## **Enlarge the Pie and Insure the Sunnis**

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It has been clear from the start that for Iraq to stabilize under a democratic dispensation its three major communities must feel that they have a stake in the enterprise. For the Shia, the joys of majority rule are stake enough. For the Kurds, the guarantee of an autonomy protected from intervention by the neighboring states housing Kurdish populations should be sufficient. The problem from the start has been the stake of the Sunni Arabs. This was entirely predictable, as no minority used to a disproportionate share of power gives up this privilege easily – the relative deprivation simply excites too many fears. One only has to look at nearby Lebanon for an example.

The problem of reassuring the Sunnis has not been solved since the fall of Saddam Hussein. At the start it was not even on the agenda. As is now widely recognized, the purge of the bureaucracy (de-Baathification) and the dissolution of the army were carried out with no thought for their impact on the mindset of a Sunni population that was disproportionately invested in both institutions. The badly designed constitutional process did not improve matters either. As a result, the Sunni insurgency is still raging, and has fuelled the competitive arming of the various Shia militias. In the last resort, the defeat of an insurgency is a problem in policing, but there is little question that the defeat of the insurgency would be much easier if the Sunni community possessed a leadership that felt it had a stake in the new Iraq.

Such a leadership could easily emerge on a regional basis. The provinces of Al-Anbar, Ninawa, Diyala and Salah ad-Din voted for the Sunni Alliance in the December 2005 elections. Strong provincial governments in these areas could both tame the Sunni insurgency and more effectively represent Sunni interests in national bargaining. While there are many factors in play, it seems clear that one major obstacle to such a development is the suspicion of the Sunnis that a purely regional solution to their discontents will freeze them out of their fair share of the national pie. Specifically, they are worried about their share of future revenues from oilfields outside the region they can hope to dominate. The Iraqi constitution does recognize the problem, but the clause it devotes to it is somewhat nebulous.

Now, in a calm and rational discussion one might hope to assuage such anxieties. It is entirely possible that a systematic exploration of Iraq could yield substantial oil deposits in the Western Desert, in other words in the Sunni region. At the same time, normal democratic politics could probably produce a more equitable outcome for the Sunnis than they deem likely if they were to form an alliance with the other major minority, the Kurds. And if they were philosophically minded, the Sunnis might take to heart the point that resources are often a curse, and that in the long run they could be better off without them.

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However, neither for Iraq nor for the United States is the current moment conducive to such a discussion. What is needed instead is a way forward that at least averts the threat of a full-scale civil war and buys the Iraqi polity something like a decade in which to reach a new equilibrium.

To this end we propose that the United States make a financial commitment to Iraq which takes the form of ensuring that its Sunni provinces get oil revenues proportional to their share of the population over the next decade or possibly more. Initially, it should take the form of simply funneling an amount equal to the Sunni share directly to these provinces. This would at the same time increase the size of the national pie, which would help to appease the Shia and the Kurds, and might also reduce the tension over Kirkuk. In later years the commitment would transition into an insurance policy.

What would be a rough upper bound on such a commitment? To date Iraq has produced a maximum of 3.7 million barrels per day (bpd) of oil. This was back in 1979, and the country hasn't actually produced more than 3.5 million bpd since 1990. It is quite unlikely that either figure will be exceeded anytime soon. Taking the 1979 figure and a profit of \$50 per barrel, we are talking about revenues of approximately \$67 billion a year. Of this we may estimate the share of the Sunni majority provinces at about 20 per cent, or \$14 billion. Today their share of the 2 million bpd production is closer to \$7 billion.

\$14 billion may seem like a large number, and by the standards of the foreign aid budget it is. But it is not a large number by the standards of current U.S. expenditure on Iraq – which by various inclusive measures is closer to \$50-\$100 billion a year. Further an outlay of \$14 billion a year could largely pay for itself through enhanced Iraqi oil production and a reduction in the fear premium currently built into the price of oil – a premium that can only be expected to increase if a full-scale civil war breaks out. Let us assume a reduction of as little as \$5 in the price of a barrel of oil; given US imports of about 10 million barrels per day, this would bring down the US oil import bill by some \$18 billion over the course of a year.

Our central point is to suggest a fundamental tradeoff, that the Sunnis should secure their provinces against the insurgents in return for a guarantee of their fair share of the oil revenues. Evidently, many crucial details would have to be worked out. To name a few, provincial leaders capable of using such a flow of cash to reasonably good effect would have to be found. Second, the commitment would have to be designed so as to strongly encourage the national government to look ahead to a continued fair sharing of oil revenues even when the US guarantee ran out. Third, the problem of the absence of trust between the Sunnis and the US would have to be solved, perhaps with Saudi involvement. Fourth, the US would have to retain responsibility for Baghdad while the Sunni provinces were pacified.

Clearly there are problems here that may or may not have creative solutions, but in the current mess the U.S. has few alternatives. Providing the Sunnis with an insurance policy should be one of them.