

Smuggling Thrives in Basra

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Rival militias, officials and police are all accused of having a stake in smuggling oil out of Iraq's southern port.

Police and government officials are accused of taking a cut of the lucrative oil smuggling business run by clans and overseen by militia groups in the southern city of Basra.

Rival Shia groups have divided up control of the city's resources - including the country's only seaport as well as its largest oilfields - in a precarious power arrangement which could implode at any time. The warring militias control the illegal oil exports from Basra, the gateway to Iran and the Gulf states, and are reportedly linked to global networks.

Maritime police complain they lack resources to capture the smugglers, but others accuse police of cooperating with mafia gangs to smuggle oil. Some local officials say they are under orders not to arrest gang members because of their links to the authorities and the militias.

Analysts blame smuggling for causing high inflation in Basra, Iraq's second-largest city, with the prices of everyday products soaring and living conditions deteriorating for most of inhabitants.

The Rumaila oil fields south of Basra are said to produce 1.6 million barrels of oil per day, of which 400,000 barrels are for domestic consumption and 1.2 million are exported.

The lawless environment has allowed large quantities of oil to be smuggled into neighbouring Gulf countries. According to American oil expert Jerry Kiser, Iranians benefit from 300,000 barrels a day smuggled across the border from southern Iraq.

Political parties in Basra took part in Iraq's 2005 elections, and British forces stationed there helped build up its institutions before handing the city back to be governed by the locals. While today there is a veneer of conventional governance in Basra, in the shape of a provisional council and the police force - the city is in effect run by warring militia groups who have carved up control of its resources.

The ruling Fadhila party - which has leading Shia cleric Sheikh Mohammed al-Yaqubi as its spiritual leader and Basra governor Mohammed al-Waili as a member - oversees the government's oil protection force, as well as the oil production infrastructure and export terminals. Waili is also head of Iraq's Southern Oil Company, a state-run entity that administers oil affairs in the southern provinces.

Militia forces loyal to radical Shia cleric Muqtada al-Sadr, meanwhile, dominate the local police force, the facilities protection service and the Basra port authority. The Sadrists control the Abu Flus port, a major centre for exports of crude oil sold on the black market, while Fadhila supporters run the port of Abu al-Khassib, which is deeper and accessible to larger vessels.

Local tribes cooperate with the Fadhila party, which offers them protection in turn for a share in the business.

Assim Jihad, spokesperson for the oil ministry, denied that large-scale smuggling is taking place in Basra. But he conceded that of the 1.6 million barrels a day exported by Iraq through Basra harbours last April, 100,000 barrels – worth about five million dollars – went missing each day.

He blamed the missing amount not on smuggling but on wastage - “useless materials like water and gas that are contained within crude oil but are not counted as part of the total amount”.

However, many of those interviewed for this report claim to be cogs in a sophisticated oil smuggling operation, run by clans and controlled by militias.

An oil-smuggling infrastructure already existed in Saddam’s time. During the Nineties, when United Nations sanctions were imposed on Iraq, illegal oil shipments were the easiest way to earn cash and smuggling was officially condoned.

"We use the same methods that we used during Saddam," said one veteran smuggler. "Instead of Baathists and generals, it is now Shia militias and their cronies who are doing the business."

Oil is stolen from warehouses with the complicity of influential people, and also from sabotaged oil pipelines. Both refined and crude oil is transported via makeshift pipelines or trucks to the port area at Abu al-Khassib, a southern suburb of Basra. There, powerful clans have built underground tanks on their farms, which serve as temporary storage until the oil is pumped into small pontoons.

From there, the oil is taken in small quantities in speedboats to both state-run and private tankers waiting at the mouth of the Gulf on al-Faw peninsula.

Crude, more profitable to smuggle than refined products, is sent using the above method to refineries in Yemen, the United Arab Emirates, and even as far as India.

The price of the oil depends on how far the smugglers carry it towards deep water, where the risk of being caught is greater.

Each stage of the export process is controlled by militias and political figures - from extracting the oil from the refineries or terminals, to bringing it safely past the border guards and navy vessels.

"You need someone to protect you," said a captain, who specialises in smuggling. "You need influence; otherwise you will be killed immediately."

The local smugglers’ main fear, he said, is being stopped by British naval patrols, because they cannot be bribed, while the Iranian coastguards and the Iraqi navy are involved in the business.

Iraqi maritime forces that police the Iraqi-Iranian waters of the Shatt al-Arab say local oil smugglers are

linked to regional and international networks.

Colonel Ahmed al-Maliki, the head of the maritime police in Mantaqa Rabaia, close to the Shatt al-Arab, refers to his opponents simply as "Iranians", but there is some doubt over exactly whom the Iraqi policemen are fighting. While Iranians are reported to be involved in the illicit trade, it is also possible that the smugglers are paying Iranian police to let them use that country's flag as cover.

When chased by Iraqi coast guards, the smugglers run into Iranian waters. Iraqi police face trouble if they give chase, as this would be a violation of the international border that runs along the middle of the Shatt al-Arab.

On April 26 this year, two policemen were killed and seven others were arrested when they came under fire from Iranian coastguards while trying to apprehend suspected oil smugglers at sea. Such clashes are frequent in the Shatt al-Arab, which flows into the Gulf.

"This was not the first time that the Iranians shot at us for chasing smuggling gangs and caused human and material losses on our side," said Maliki.

He and his colleagues are discouraged at being prevented from making arrests and at the loss of life they suffer in such incidents.

"Our work has changed since 2003 from guarding the borders against intruders to chasing global smuggling networks. Yet we still have the same poor resources," he said.

Most of the maritime forces' equipment was damaged or looted during the 2003 invasion of Iraq and has not been fully replaced.

"The smugglers use high-powered speedboats, while we only have small cruisers that aren't suitable for chasing the gangs," said Maliki.

Another method of shifting crude out of the country is via tankers docked at the oil terminals themselves.

This is done by filling the ships with more than the amount noted in the accompanying documents. This is possible as the lack of modern electronic devices means the load is measured by a gauge called a "dhara" - a long ruler inserted into the tank.

The officials at the terminal represent all the parties and militias who control the loading of tankers. A surveyor, officially in charge of controlling the filling process and inspecting the consignment, is bribed to pass it off as legitimate.

Members of the Basra Centre for Reconstruction, an NGO founded in 2006 to invest in the reconstruction and modernisation of Basra, accuse the police of cooperating with the criminal gangs who run the smuggling trade.

The centre - whose members are mainly engineers, researchers, journalists and economists - has identified about 50 cases in which senior police officers were accused of facilitating smuggling operations valued at an estimated 50 million dollars over the last two years.

The centre's findings were reported to the Basra directorates of police and counter-smuggling. The Integrity Commission, a body of the central government responsible for following administrative corruption cases, issued arrest warrants and sent the cases to court. Meanwhile, a group of journalists interviewed several employees of the Southern Oil Company and local policemen suspected of corruption.

The director of the centre, Zahir Abdul-Khaliq, said the identity of the smugglers is no secret and suggests the police could catch them if they wanted.

"All the smugglers are known figures, so if the police can't arrest them at sea, why don't they do it on land?" he asked.

Local security officials claim that they are hindered from making significant arrests by their bosses' political ties.

"We mainly arrest small smugglers, but we have been prevented from even watching the big gangs by verbal orders from our administration," said Suhail Khidhir, an employee of the counter-smuggling directorate. "These big gangs are linked to government institutions and the parties."

A source within the Southern Oil Company, who preferred to remain anonymous, said the main players behind oil smuggling are figures linked to the Fadhila party, the Supreme Islamic Iraqi Council, the Sadrists, and clans close to them, such as the Ruwaymi, Ashoor and Yusif.

Smuggling diesel and fuel oil is far simpler although ultimately less profitable than smuggling crude. This trade goes in two directions, both in and out of Iraq.

Damaged refineries and the growing number of cars in Iraq have led to severe shortages of fuel, which is sold at heavily subsidised rates by the government. The state imports petrol at 65 US cents a litre and sells it to the public at just 25 cents a litre.

The deficit and the discount retail price of petrol and diesel have created a black market fed by the smugglers.

Inside Iraq, petrol is stolen from refineries and smuggled abroad where it can be sold at a profit. At the same time, fuel is being smuggled into the country and sold either on the black market or to the Iraqi state using false documentation.

"The reason behind the lack of fuel is that it's being stolen and smuggled," said an employee of the Southern Oil Company, who spoke anonymously out of concern for his safety. "[Officials also] falsify the amount imported."

According to the Southern Oil Company, the country imports more than 10 million litres of petrol, diesel and kerosene a day from neighbours Iran, Kuwait, Saudi Arabia and Turkey. But between 10 per cent and 20 per cent of these legal imports will end up being diverted and sold on the black market. Some of the fuel assigned to government institutions, for example, is resold illegally.

Meanwhile, additional amounts of fuel are being brought into the country by smugglers. Some is sold on the black market; other consignments will be dressed up as legal imports with the right paperwork, and sold to state purchasers.

Ali al-Bahadli, a petrol tanker driver working in the smuggling business, says forgery is the order of the day. "Dozens of the tanker trucks coming into Iraq are not real. They are only registered on paper," he said.

As the smuggling of Basra's oil continues, economic conditions are worsening for the city's residents.

Khalil al-Sarraji, professor of economics at the University of Basra, said smuggling is a drain on the Iraqi economy as the lost income creates a hole in the treasury's revenues and reduces the capacity to re-invest in the oil industry.

"Large parts of our economy and wealth have vanished into a legal vacuum from which the state is absent," said Sarraji.

"Law enforcement is non-existent and the spoils are shared by politicians, militias and smuggler gangs. This causes high inflation in the provinces and wrecks decent living conditions for the public."

Consumer prices have soared, and bread that cost two US cents two years ago now costs ten cents.

Sarraji says low living standards prompt many people to get onto the bottom rung of the smuggling ladder.

"Poverty and the government's lack of care encourage young people to get involved in this business as a way of making money," he said. "But powerful mafias quickly gain control over them, and force them to work or be killed."

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