Why Iraq is “Burning”

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Commentary: October 25, 2019

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The present U.S. focus on Syria, Turkey, and the Kurds makes it all too easy to ignore the growing instability of Iraq, the fact that ISIS is already increasing its operations in that country, and that it is Iran, Russia, and Syria that seem to have growing influence. U.S. military-to-military relations remain relatively good at a professional military level, but continue to slow and get worse at a political level. At the same time, the U.S. does not seem to have any clear policy to deal with Iraq’s deteriorating political, governance, and economic situation, and to support any serious form of national building.

An updated version of a Burke Chair study highlights Iraq’s civil problems along with those in the other countries where the U.S. has current security engagements – Afghanistan, Iraq, Syria, Libya, and Yemen: The Long-Term Civil Challenges and Host Country Threats from ‘Failed State’ Wars (https://www.csis.org/analysis/afghanistan-iraq-syria-libya-and-yemen).

In brief, however, Iraq shows all too many signs of returning to the kind of internal instability that led to low level civil war in 2011 and the rise of ISIS, and that undercut any efforts to bring stability and defeat extremism in all of America’s military efforts in the region.

Wretched Governance and Massive Corruption

Iraq faces still major challenges in recovering from its long history of wars since 1980, and the legacy of its human challenges are as great as its economic ones. If one only looks at recent wars, Iraq Body Count (IBC), one of the most credible sources of estimates for that war, estimated 183,967-206,642 documented civilian deaths since 2001 as of late September 2019, and 288,000 civilian and combatant deaths (many of the combatants being civilians suddenly thrust into combat roles).

No equally credible estimate of directly wounded and injured was available, but it seems likely the numbers would be at least equal. To put the overall level of uncertainty in the Iraq War in perspective, the Washington Post reports that a study called the University Collaborative Iraq Mortality Study issued in October 2013 estimated much higher totals (https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1001533):

“From March 1, 2003, to June 30, 2011, the crude death rate in Iraq was 4.55 per 1,000 person-years (95 percent uncertainty interval 3.74-5.27), more than 0.5 times higher than the death rate during the 26-month period preceding the war, resulting in approximately 405,000 (95 percent uncertainty interval 48,000—751,000) excess deaths attributable to the conflict. Among adults, the risk of death rose 0.7 times higher for women and 2.9 times higher for men between the prewar period (January 1, 2001, to February 28, 2003) and the peak of the war (2005—2006). We estimate that more than 60 percent of excess deaths were directly attributable to violence, with the rest associated with the collapse of infrastructure and other indirect, but war-related, causes.”

In addition, there are still hundreds of thousands of displaced Iraqis, and Iraq has so far failed its largely Sunni population in its western region by rebuilding effectively after the fighting with ISIS and creating a new economy that provides adequate and meaningful jobs for most of its population. Recent polls indicate that at least half its population feel that poverty, employment, and price increases remain major challenges. Moreover, elections or no election, Figure One shows that 73 percent of all Iraqis polled feel their government is not accountable to its citizens and 55 percent feel that strongly.
Outside experts still rate Iraq as having one of the worst governments in the world. **Figure Two** shows the World Bank estimates of all of its rankings of governance for Iraq – showing both the country’s percentile rank in blue and the margin of uncertainty or possible error in gray. Although Iraq is a radically different country from Afghanistan, its governance rankings are again consistently dismal and it is clear that this is as true of governance at the local level as well as the national level.

There were some limited positive trends after 2004, as Iraq acquired a more stable and less repressive mix of governments. This progress, however, was very limited and only occurred in three of six categories. Transparency International rated Iraq 168th out of 180 countries in 2018, making it the 13th most corrupt country ranked by Transparency International. The Arab Barometer – Wave V, *Iraq Country Report 2019*, found that 74 percent of Iraqis felt their government was corrupt to a large extent, and 19 percent more felt it was corrupt to a medium extent.

Today, the central Iraqi government in Baghdad is relatively weak and has so far been ineffective in dealing with the cumulative consequences of fighting Al Qaida, Islamists, and ISIS since 2004. It is not healing the deep divisions between Sunni and Shi’ite or the tensions between Arab and Kurd, and there is no emerging unity among the Sunni, Shi’ite, and Kurdish factions. Unlike Afghanistan, Iraq’s oil wealth allows it to buy its way out of some of its failures as a state, but it cannot meet the estimating needs of its growing population or substitute for the failures in Iraqi governance that now limit its future development even if new rounds of acute internal conflict and tension do not take place.
Figure One: How Polls Correlate to Governance Indicators in the Case of Iraq

Q: The way the country is run today, do you think that the people are able to hold their leaders accountable for their actions and policies or not? Do you feel that way strongly or somewhat?

Source: Survey in 2019

*IIACSS (almustakila) is the pioneer polling and market research firm in Iraq and Arab region

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Figure Two: World Bank Governance Indicators for Iraq

Transparency International ranks Iraq as one of the most corrupt countries in the world. It ranked 168th out of 180 countries in 2018, and was the thirteenth most corrupt government ranked.

The **solid blue line** shows the selected country’s percentile rank on each of the six aggregate indicators. The grey-shaded region indicates the margin of error.


Severe Population Pressure

Iraq faces massive population pressure in spite of its wars. The U.S. Census Bureau’s international database estimates that its population increased by 8.0 times from 5.16 million in 1950 to 41.2 million in 2019. It has increased by some 3.1 times since the beginning of the Iran-Iraq War began in 1980, and done so in spite of the first Gulf War in 1990-1991 and the fighting from 2003 to the present. It also has a very young population that is desperate for real jobs, and its “youth bulge” will increase for at least another decade.

The CIA World Factbook estimates that its median age is only 20.2 years, that 39.1 percent of its population is 0-14 years old, and that 19.42 is in the critical 15-24 years of age category that needs jobs and careers. It also estimates that 72.3 percent of its population is young enough to be dependent on older employed Iraqis for their food, housing, and existence.

This population is still deeply divided along sectarian and ethnic lines. The CIA estimates that the population is 95-98 percent Muslim but is divided between Shia 64-69 percent and Sunni 29-34 percent. Some estimates indicate that some 50 percent to 90 percent of non-Muslims have been forced to leave since 2003, but the CIA estimates that minorities still include Christians at 1 percent (includes Catholic, Orthodox, Protestant, Assyrian Church of the East), and other groups between 1-4 percent (2015 est.).

As for ethnic divisions, the CIA estimates that Arab’s make up 75-80 percent, Kurds make up 15-20 percent, and the other 5 percent includes Turkmen, Yezidi, Shabak, Kaka’i, Bedouin, Romani, Assyrian, Circassian, Sabaean-Mandaean, and Persian minorities.

War and economic change have also forced this population to concentrate in urban areas and interact far more directly. Iraq is now 70.7 percent urbanized, and urbanization rises by over 3 percent per year according to UN estimates of the trends in urbanization in Iraq. Iraq has already made the shift from an agricultural society to a largely (70 percent+) urbanized one. Yet, Iraq still has a comparatively high rate of annual urbanization (3 percent+). The CIA estimates that six cities have a major portion of its population — 6.643 million in Baghdad (the capital), 1.527 million in Mosul, 1.299 million in Basra, 981,000 in Kirkuk, 821,000 in Erbil, and 820,000 in Najaf (2018).

These cities mix Sunnis and Shi’ites, and Arab, Kurds, and minorities, to very different degrees. Sectarian tensions have been particularly high in Baghdad, and the same goes for ethnic tensions in Kirkuk. A mix of sustained periods of crisis and conflict since 1980, and terrible government policies that subsidize unproductive and overpaid state industries with high levels of corruption, have created serious tensions over employment, modernization, and support for the government in all of these urban areas. At the same time, equally bad agricultural policies have provided no incentive to stay in agriculture.

Taken together, this may explain why an Arab Barometer survey in 2019 found that 40 percent of Iraqis of ages 18-29 were interested in emigrating.

Oil Wealth is No Wealth for Most Iraqis

Post-conflict recovery will remain the driving force of the non-oil economy in the coming years while overall economic growth will experience a modest recovery in 2018 before picking up noticeably in 2019 thanks to higher oil production. The durability of the non-oil rebound depends on the quality of the reconstruction process. Higher oil prices will allow space to finance reconstruction, if recurrent spending restraint is maintained. Poverty reached 22.5 percent in 2014 and two million of Iraqis remain displaced.

With oil prices expected to rise, Iraq’s government will have ample fiscal space to finance reconstruction, provided that the process of fiscal consolidation continues. Relations with KRG are improving after the rupture related to the independence referendum in 2017; the federal government agreed to resume transfers and KRG total revenue is sufficient to pay salaries and pensions. Growth and the budget surplus are estimated to further reduce the public debt-to-GDP ratio from 67.3 percent in 2016 to almost 55 percent. The government also adopted a framework to control the issuance of guarantees, which reached US$33 billion (or 20 percent of GDP) in end-2016 and these guarantees, most related to the electricity sector, are now believed to be under control.

...The poverty rate increased from 18.9 per-cent in 2012 to an estimated 22.5 percent in 2014. Recent labor market statistics suggest further deterioration of welfare. The unemployment rate, which was falling before the crises, has climbed back to the 2012 level. Almost a quarter of the working-age population is underutilized, i.e., they are either unemployed or underemployed. Many households are prone to adverse shocks; more than a third of the house-holds has experienced an adverse event since the beginning of the crises and one in six households has experienced some form of food insecurity in the month preceding the survey. The universal food ration (Public Distribution System, PDS) remains the most extensive social assistance pro-gram, but people have also turned to friends and relatives and humanitarian agencies for assistance. Internally dis-placed persons (IDPs) have been buffeted by multiple adverse shocks: they have lost much of their wealth through destruction of assets; they have seen family members die, get sick, or become injured at a higher rate; and they have faced loss of jobs or businesses. These shocks have occurred at a time when their capacity to cope with shocks has been further strained. Fewer IDP adults have a job, so each employed adult in an IDP household supports more than six other household members. Some IDPs have lost access to the PDS. The cumulative impact of these developments on IDPs is visible in several dimensions, including a higher risk of hunger.

Challenges remain due to political risk, dependency on oil revenue and the regional situation. Continued political uncertainty following the elections could delay economic recovery in the conflict-affected governorates. Absence of a clear commitment in the 2018 budget on wage bill management and subsidy reduction could weaken the fiscal consolidation and absorb the fiscal space otherwise available for reconstruction. The ISIS threat cannot be considered entirely vanquished unless stabilization is also achieved in Syria. Iraq’s capacity to expand oil production and exports remains constrained, further exacerbating risks from a reduction of oil prices. The imposition of sanctions on Iran by the U.S. administration could curb non-oil trade as Iran is the largest non-oil trade partner of Iraq, and result in higher prices of key commodities.

The World Bank estimated Iraq’s GNI per capita – which does not reflect the poor distribution of the money involved – at only $5,030 in 2018. This compares with $21,540 for Saudi Arabia, $41,010 for the UAE, and $61,190 for Qatar. To put these figures in the context of Iraq’s youth bulge, the Arb Barometer poll in 2019 found that,

...in addition to widespread dissatisfaction with government efforts to improve employment opportunities, the vast majority of young Arab citizens also believe that obtaining employment requires having strong connections. Roughly nine-in-ten youth in Iraq (95 percent), Lebanon (94 percent), Jordan (94 percent), Tunisia (94 percent), Libya (91 percent), Algeria (91 percent), Sudan (90 percent), Palestine (90 percent), Egypt (90 percent), and Morocco (88 per-cent) say that based on recent experience they think that obtaining employment through wasita (personal connections) happens often or sometimes. Though comparatively fewer, nearly seven-in-ten Yemeni youth (69 percent) hold the same perception regarding the connection between wasita and employment.

Iraq also faces the problem that it has one of the largest, most wasteful, most expensive, and least productive state sectors and pool of government employees in the world. And yet, for all the talk
of economic reform, the World Bank only rates Iraq 171st in its Ease of Doing Business indicators out of 190 countries rate – making it the 19th worst country in the world.

The CIA World Factbook notes that,

Iraq’s GDP growth slowed to 1.1 percent in 2017, a marked decline compared to the previous two years as domestic consumption and investment fell because of civil violence and a sluggish oil market. The Iraqi Government received its third tranche of funding from its 2016 Stand-By Arrangement (SBA) with the IMF in August 2017, which is intended to stabilize its finances by encouraging improved fiscal management, needed economic reform, and expenditure reduction. Additionally, in late 2017 Iraq received more than $1.4 billion in financing from international lenders, part of which was generated by issuing a $1 billion bond for reconstruction and rehabilitation in areas liberated from ISIL. Investment and key sector diversification are crucial components to Iraq’s long-term economic development and require a strengthened business climate with enhanced legal and regulatory oversight to bolster private-sector engagement. The overall standard of living depends on global oil prices, the central government passage of major policy reforms, a stable security environment post-ISIS, and the resolution of civil discord with the Kurdish Regional Government (KRG).

Iraq's largely state-run economy is dominated by the oil sector, which provides roughly 85 percent of government revenue and 80 percent of foreign exchange earnings, and is a major determinant of the economy's fortunes. Iraq's contracts with major oil companies have the potential to further expand oil exports and revenues, but Iraq will need to make significant upgrades to its oil processing, pipeline, and export infrastructure to enable these deals to reach their economic potential.

Iraq is making slow progress enacting laws and developing the institutions needed to implement economic policy, and political reforms are still needed to assuage investors' concerns regarding the uncertain business climate. The Government of Iraq is eager to attract additional foreign direct investment, but it faces a number of obstacles, including a tenuous political system and concerns about security and societal stability. Rampant corruption, outdated infrastructure, insufficient essential services, skilled labor shortages, and antiquated commercial laws stifle investment and continue to constrain growth of private, nonoil sectors. Under the Iraqi constitution, some competencies relevant to the overall investment climate are either shared by the federal government and the regions or are devolved entirely to local governments. Investment in the IKR operates within the framework of the Kurdistan Region Investment Law (Law 4 of 2006) and the Kurdistan Board of Investment, which is designed to provide incentives to help economic development in areas under the authority of the KRG.

Inflation has remained under control since 2006. However, Iraqi leaders remain hard-pressed to translate macroeconomic gains into an improved standard of living for the Iraqi populace. Unemployment remains a problem throughout the country despite a bloated public sector. Overregulation has made it difficult for Iraqi citizens and foreign investors to start new businesses. Corruption and lack of economic reforms - such as restructuring banks and developing the private sector – have inhibited the growth of the private sector.

Defeating Each New Round of Extremists and Civil Warfare is Pointless Without Reform and Change

Put bluntly, defeating ISIS, working out more sectarian and ethnic compromises, and other efforts to rearrange Iraq’s deck chairs while the nation continues to sink, is not going to stop terrorism, limit Iran’s influence, or give Iraq the internal strength, unity, and progress needed to help stabilize the region and the world’s key source of oil exports.

Iraq is not really “burning” – at least yet. It is going to take far more than narrow military aid and counterterrorism efforts, however, to bring the changes Iraq needs. Without them, today’s demonstrations and protests can only be the prelude to more extremism, violence, and tragedy.
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