Strategic Dialogue: Shaping a U.S. Strategy for the “Ghosts” of Iraq

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Anthony H. Cordesman

This is the second major revision to a Burke Chair analysis of the political/governance, economic, and security challenges that Iraq faces, which addresses their impact on creating a lasting strategic relationship with the United States. This analysis was developed to explore the issues raised by Secretary Pompeo’s announcement on April 7, 2020 that the United States would hold a strategic dialogue with the Iraqi government in mid-June 2020.

The announcement stated that,

“With the global COVID-19 pandemic raging and plummeting oil revenues threatening an Iraqi economic collapse, it’s important that our two governments work together to stop any reversal of the gains we’ve made in our efforts to defeat ISIS and stabilize the country. All strategic issues between our two countries will be on the agenda, including the future presence of the United States forces in that country and how best to support an independent and sovereign Iraq.”

“Secretary Pompeo made it clear that the United States would have to reassess its strategy in Iraq in terms of the growing Iranian and Iraqi Popular Mobilization Forces (PMF) pressure on the U.S. troop presence in Iraq, but also in terms of the impact of the Coronavirus on the Iraqi economy and the lack of any clear political unity in Iraq. He stated that the United States would support any Iraqi regime that moved, “away from the old sectarian model that ended up with terror and corruption.”

The updated draft reflects Iraq’s underlying problems and challenges, the ongoing shifts in Iraqi politics, the impact of the Coronavirus, and the impact of massive cuts in world oil prices as well as cuts to Iraq’s oil revenues. It also reflects comments on the earlier two drafts from a variety of outside experts, as well as from analysis by Iraqis following an Internet Conference moderated by Munquith Dagher – the CEO and founder of IIACSS research group (Al Mustakillah) in Iraq and a Gallup International board member – that was held in Arabic and English on April 17, 2020.

It is not enough to call for a dialogue. Setting the right goals for a U.S-Iraqi strategic dialogue – and for a more lasting joint effort to create a stable strategic relationship – is a critical step towards creating some form of lasting U.S.-Iraqi relationship to be one that will counter both threats from extremism and Iran. At the same time, it is also critical to set up a strategic dialogue with an Iraq where the country’s current position on these three most critical elements are so uncertain and unstable that they are close to being “ghosts.”

The analysis shows that the first such “ghost” is the current state of Iraqi politics and governance. The Iraqi government does not have a clear path to effective leadership, and it is dysfunctional and corrupt at every level. Iraqi politics are deeply divided, and these divisions reflect serious and growing failures. This must change if Iraq is to emerge as a stable and secure state.

The Iraqi economy is the second “ghost.” The analysis shows that Iraq now faces near collapse because of the global drop in demand for petroleum caused by both the Coronavirus and the surplus of supply from the “oil war” between Russia and Saudi Arabia. The Iraqi economy was weak and unstable even before these crises began, had weak agricultural and industrial sectors, and was affected by Iraq’s divided elite that took a far larger share instead of providing the kind of income distribution that would bring Iraq stability. Divided as Iraq was on a sectarian and ethnic level, it faced further growing divisions because its economy did not serve its people.
Finally, the third ghost is “security,” which has been the almost exclusive center of U.S. strategic attention since 2011, also including the ISIS invasion of Iraq that followed. Neither Iraq nor the United States have yet properly shifted away from the battle to break up the ISIS “caliphate” to create an effective approach to security. This includes the need to create Iraqi security forces that are unified, serve the central government, deal with the continuing threat from ISIS and other extremists, and can defend Iraq as a nation from potential regional threats like Iran. It may be unfair to describe Iraq’s divided security forces as Iraq’s third “ghost,” but they are more haunted by the past than moving towards a clear future.

Accordingly, a meaningful strategic dialogue between the United States and Iraq must address all three of these sets of issues – or “ghosts.” It cannot continue to be focused on security, and particularly on ISIS.

Iraq must find its own answers to dealing with many of these “ghosts,” and the United States cannot help an Iraq that cannot unite or act to the point where it can help itself. At the same time, the United States must decide whether it will commit itself to a sustained effort to help Iraq emerge as a nation that is unified and strong enough to prevent further civil conflict and act independently of Iranian pressure and threats.
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Creating a Strategic Dialogue with a Missing or “Ghost” Government

At present, Iraq’s government is not simply divided, it is a hollow shell. It is far from clear that Iraq will even have all the key figures that could make up a functional form of a national government by mid-June. Iraq has not had a functioning prime minister since December 2019, and it has not had a fully functional parliament for several years. It is even less clear that Iraq can achieve a parliamentary consensus around a new strategic relationship with the United States.

Iraq Needs Effective Political Leaders at Every Level

Iraq has not had a functioning prime minister since mid-May 2019. It did have a potential prime minister, Adnan al-Zuri, who was appointed on March 17, 2020. He was a Shi’ite, a former governor of the holy Shia city of Najaf, and a prior leader of the Nasr parliamentary grouping of former Prime Minister Haider al-Abadi. His group was somewhat centrist but divided.

Many Shi’ite factions – including the leaders of pro-Iranian Iraqi Popular Mobilization Forces (PMF) and some Sunni factions – did not support him. Some Shi’ites felt he was too close to the United States. He was also appointed by Iraq’s President, Barham Salih, without any formal consultation of Iraq’s parliament and was only given 30 days to form a government. In the end, al-Zuri could not broker an agreement to form a new government and had to withdraw on April 9, 2020.

This seems to have led to the appointment of a potential prime minister who can form, a cabinet and get sufficiently broad support to serve – at least for a while. This new candidate is Mustafa al-Kadhimi, Iraq’s third PM-designate in just over a month. He had been appointed head of the Iraqi National Intelligence Service by former Prime Minister Haidar al-Abadi, and he had served in this post since June 2016.

While his selection produced the usual uncertainties about al-Kadhimi’s support of the United States versus Iran, the United States supported him shortly after his selection. US Secretary of State Mike Pompeo said on April 13th that, “We welcome that Shi’ite, Sunni, and Kurdish political leaders seem to have arrived at a consensus on government formation, and hope the new government puts Iraq’s interests first and meets the needs of the Iraqi people.” He did, however, stress the need for a working agreement among Iraq’s Shi’ite, Sunni and Kurdish factions to support a new government, and that it would have to be capable of dealing with the coronavirus, the economic crisis, and bringing arm factions under control.1

Iran also supported Kadhimi. Gen. Ismail Ghaani, the new commander of the Islamic Revolutionary Guard Corps’ Quds Force, had been in Iraq shortly before Kadhimi was nominated. According to an Iraqi parliamentarian, Hossein Fadaam – who is part of the pro-Iranian faction led by Ammar al-Hakim – Ghaani told Iraqi officials that Iran “will not interfere in Iraq’s domestic affairs or in choosing a prime minister.” Fadaam’s comments were made to an Iraqi television station and were then reprinted by a number of Iranian media.

On March 13, 2020, Abbas Mousavi, a spokesman for Iran’s Foreign Ministry, went further and stated that the Islamic Republic of Iran “welcomes the agreement between all of Iraq’s political parties to introduce Kadhimi as prime minister and sees it as the correct path and step.” Iran’s current ambassador to Iraq, Iraj Masjedi, then tweeted a similar sentiment and said that Iran would support whoever was selected by Iraq’s parliament. At the same time, in a near-echo to Pompeo, Hassan Danaeifar, an Iranian former ambassador to Iraq, warned that Kadhimi faced
many challenges – including oil revenues, the Coronavirus, and U.S. demands about keeping troops stationed in the country after the Iraqi parliament voted to have them removed.

At this writing, Kadhimi is seen as a substantially more serious candidate and has until May 9, 2020 to form a government. This means he might become a real Prime Minister in time for a real strategic dialogue in mid-June. At the same time, experts differ over his attitudes towards the United States and Iran, and some Iraqi Shi’ites who support Iran have indicated he is too close to the United States, while some other Iraqis feel he may have links to Iran. What is equally important is that even the best Prime Minister can only be as good in office as Iraq’s political divisions, weak governance, and corruption permit.

At present, however, the Prime Minister is only part of a much broader political problem. The only truly senior Iraqi official who is actually serving and has a proven track record of trying to unite the country is the current President Barham Salih, a Kurd who is serving in a time when the Kurds are as deeply divided as the Arab Shiites and Sunnis. As for the parliament, it sometimes meets, but largely to only quarrel over how to divide the spoils of office rather than meet the nation’s needs. It is a body of self-seeking factions that cannot address critical issues like vital economic reforms, recovery in the Sunni regions that are facing the aftermath from the fight against ISIS, and the full reintegration of Iraqi Kurds.

Iraq’s Lack of Effective Governance is the Key Problem

Politics also are only part of Iraq’s problems. More broadly, Chart One shows that Iraq has one of the worst rated and most ineffective governments in the world according to the World Bank. It not only had a low percentile rank compared to other states in all six of the Bank’s categories from 1996-2018 – with the possible exception of voice and accountability – but truly low ratings in political stability, the absence of violence and terrorism, the rule of law, and corruption. Furthermore, the World Bank governance ratings end in 2018 – a far more favorable period for Iraqi governance than 2019, or 2020 to date.

Iraq also ranked as the 18th most corrupt country in the world according to Transparency International’s most recent rank in 2019.

Iraqi public opinion polls show that the government lacks popular support and trust at every level from national to local, and that its Arab population is dividing into a steadily more polarized Shi’ite and Sunni factions, which are deeply – and sometimes violently – divided and command more force than popular support. Whatever momentum existed towards unity after the break-up of the ISIS “caliphate” has largely been lost through the failure to help the largely Sunni areas in the West – where the fighting was centered – recover, the failure to reach effective working relations with the Kurds, and Baghdad’s failure to share the country’s oil wealth with the Shi’ite areas in the South.
Chart One: Iraq’s Failed Levels of Governance at Every Level of World Bank Assessment: 1996-2018

Iraq

Losing the Trust of the Iraqi People

An article in the Washington Post by Munquith Daghir, one of Iraq’s leading polling experts, reported that a survey of protestors in late 2019 found that Iraq’s factional, ethnic, and sectarian divisions were only part of a broad national distrust of virtually all political leaders and factions:2

An even greater problem for any lasting solution is the profound lack of trust in the current political players. Except for Grand Ayatollah Ali Sistani, the most influential Shiite cleric in Iraq, who enjoys the trust of 60 percent of the protesters, all other state players (legislative, executive and even judicial branch) are trusted by less than 5 percent of Iraqis, according to our most recent poll. Over 90 percent of protesters welcome an early election — but because of their mistrust of state institutions, a low percentage agree that it should be held under the current electoral commission or even under the supervision of Iraqi judges.

Outside international players receive a low level of trust as well. Iran is trusted by 1 percent of those interviewed, while the United States is trusted by 7 percent, the European Union by 25 percent and the United Nations by 30 percent.

This distrust took the form of explosive political demonstrations during 2019-2020. Work by ACLED is shown in Chart Two and provides a graphic picture of the level of popular anger and lack of trust in the government since its failures to capitalize on the break-up of the ISIS “caliphate” in 2019. It does not reflect the tensions within the KRG zone, between the Kurds and Arab, and the broader levels of anger in Sunni areas in Western Iraq that suffered from the fighting with ISIS and have failed to see any effective central government recovery efforts. It instead reflects levels of popular demonstrations in the Baghdad region and in largely Shi’ite areas of Iraq that ACLED calls the “October Revolution” that led to “Attacks on demonstrators that were unprecedented in scale, with more than 500 fatalities reported between October 2019 and April 2020.”3

The ACLED analysis notes that these popular protests are linked to a range of different sectarian faction and political movements, and that the protest have,

...been able to expand quickly throughout the six months from October 2019 through March 2020 to include eastern and central Iraqi provinces alongside the southern provinces, effectively spreading throughout the entire country (see maps below). Key southern cities such as Nassriya, Basra, Diwaniya, and As Samawah, along with the capital, Baghdad, serve as the main hubs of the demonstrations. However, the demonstrations also took hold of central Iraqi cities, such as Kerbala, Hilla, and the eastern cities of Kut and Baquba, where a significant number of the violent demonstrations took place. Even provinces such as Ninewa, Saladin, and Anbar, which were formerly held by IS, experienced sporadic protest activity. However, their fears, as mainly Sunni areas who reportedly allowed IS to take over, limited their protests to symbolic activities, such as holding up signs displaying the number of demonstrators killed (Jadaliyya, 26 October 2019).

For all the reasons analyzed in the following sections on Iraq’s economic and security situation, a combination of bad politics, terrible governance, and failed economic and security efforts is virtually certain to make these divisions steadily worse – along with Iraq’s sectarian and ethnic tensions – unless the government is far more effective and united in the future.

Only Iraqis Can Fix Iraq’s Political and Governance Problems

Iraq does, however, at least still have the shell of a functional democracy, and it does have a history of nationalism and periods of real unity. It also still has relatively high levels of education and development for the region. At the same time, its deep ethnic and sectarian divisions are coupled to self-seeking politicians and factionalism leaving Iraq crippled by favoritism and high levels of corruption that will drive the government to the point of near kleptocracy. Levels that
can make Iraq more vulnerable to outside pressure from states like Iran as well as from built-up mass popular demonstrations and anger both between and within given factions.

There is no way that the United States or any power can change these conditions from the outside. The history of Iraq from 2003 to the present makes this all too clear. The United States can, however, work with other countries to create economic and aid incentives that are tied to important steps that will keep Iraq moving forward. The United States can actively encourage unity and compromises, and it can make it clear that the U.S. goal in doing this is for a strong and independent Iraq – not some form of a client state.
Chart Two: Iraq’s October 2019 Revolution: Patterns Through April 2020 - I

ACLED, Iraq’s October 2019 Revolution: Six Months On, [https://acleddata.com/2020/04/10/iraqs-october-revolution-six-months-on/]
Chart Two: Iraq’s October 2019 Revolution: Patterns Through April 2020 - II

Dealing with a “Ghost” Economy in Critical Period of Crisis

This means that a strategic dialogue with Iraq must offer both sustained U.S. support and focus as much on governance as on security, but same is true of Iraq’s second “ghost” – its economy. The United States must come to grips with economic reasons that have done so much to help drive Iraq’s growing instability, divisions, and popular demonstrations.

Iraq not only has a “ghost” government; it has a “ghost” economy. Iraq is a major petroleum power. The latest country report by the U.S. Energy Information Administration (EIA) notes that Iraq is the second-largest crude oil producer in the Organization of the Petroleum Exporting Countries (OPEC), and it has the world’s fifth largest proved crude oil reserves – some 140-145 billion barrels.

Wealth, however, is determined by the actual oil export revenues, and not by the reserves that are still in the ground. Iraq’s crude oil production has long been been highly erratic. It peaked at some 2.5 MMBD in 2000 before the U.S. invasion in 2003. It then dropped below 1.5 MMBD during the war in 2003, then grew by an average of about 300,000 barrels per day (b/d) from 2013 through 2017, and it averaged 4.4 MMBD in 2017. During the first half of 2018, Iraqi crude oil output stood at about 4.5 MMBD. These production estimates include oil produced in the Iraqi Kurdistan Region, the semiautonomous northeast region in Iraq governed by the Kurdistan Regional Government (KRG).

Even at the best of times, Iraq’s oil export revenues meet only a limited part of Iraq’s needs and are relatively low in terms of oil revenues per capita. Oil revenues have, however, been in decline since 2012-2014 when the price of oil dropped from the $100 a barrel range in 2012-2014 to levels around $50 to $60 dollars a barrel.

This has had a major impact on Iraq’s oil revenues. The EIA reports that “in 2017, Iraq (excluding KRG) earned almost $60 billion in crude oil export revenue, $16 billion more than in 2016 as a result of increasing oil prices and slightly increasing export volumes.” Other sources report Iraq earned some $66 billion in export revenues in 2017 but $91 billion in 2018, only to see a new crisis in demand and prices begin in 2019.

A mix of overproduction by nations like Russia and Saudi Arabia, and the massive recession caused by the Coronavirus, cut world oil prices from levels around $60 a barrel at the start of 2020 to $20 a barrel late April. (The glut reached the point where the price dropped below zero in the U.S.). Contracts for June delivery were trading for about $22 a barrel, down 16% for the day, on April 19, 2020.

While OPEC and Russia did reach an agreement to cut production earlier in April, analysts expected daily oil consumption to fall by as much as 29 MMBD by late April, about three times the cuts pledged by OPEC and its allies -- and May isn’t expected to be much different. No one could predict how long the resulting crisis in oil sales and export revenues would last, but it was already clear that Iraq – like all oil exporters – faced a massive financial problem in 2020 and possibly in 2021 and beyond.

Iraq’s market economy has long been heavily dependent on these crude oil export revenues. So has its government. The EIA reports that “in 2017, crude oil export revenue accounted for an estimated 89% of Iraq’s total government revenues, according to the International Monetary Fund (IMF).” The CIA World Factbook estimated in April 2020 that, “Iraq's largely state-run
economy is dominated by the oil sector, which provides roughly 85% of government revenue and 80% of foreign exchange earnings.”

These erratic levels of export income have left Iraq – which has a population of some 39 million – with a relatively low per capita petroleum income even in periods when oil export revenues were far higher. The EIA estimates that Iraq’s per capita net export revenues totaled $1,715 in 2017 and $2,304 in 2018. These compare with Saudi revenues of $5,248 in 2017 and $7,098 in 2018; UAE revenues of $5,911 in 2017 and $7,797 in 2018; and Kuwaiti revenues of $10,965 in 2017 and $14,683 in 2018. Iran, however, has had much lower revenues that Iraq: $685 in 2017 and $820 in 2018.7

Moreover, Iraq’s petroleum revenues also help fuel Iraq’s sectarian and ethnic divisions. Almost all producing oil reserves are in the Shi’ite and Kurdish areas. Some 90% of Iraq’s crude oil production comes from onshore oil fields in the southern Shi’ite part of the country. It also has some 135 trillion cubic feet (Tcf) of natural gas reserves – the 12th largest in the world.

**Population Pressure in Iraq**

As the UN, World Bank, and IMF make clear, these problems have been further complicated since the First Gulf War in 1991 by internal developments like rapid population growth, a shift from a rural state dependent on agriculture to a largely industrial and service sector economy, and very high levels of hyper-urbanization.

**Chart Three** shows that the U.S. Census Bureau estimates that Iraq’s population has risen from less the 5.2 million in 1950 to some 38.9 million in 2020 – figures that generally track with UN and CIA estimates. Iraq’s population is so young that over 37% is 14 year of age or younger. U.S. Census Bureau also estimates that a steady rate of growth will continue from 2020 to 2030, which means that there will be constant heavy near-term pressure on the economy for job creation. While it is important to stress that there are no reliable figures on unemployment in Iraq – and some guesstimates put exiting youth unemployment at well over 20% – the population growth rate in Chart Three indicate that Iraq may need to find some 300,000-450,000 additional new jobs for its young men and women per year during 2020-2030.

Population pressure also means that more and more Iraqis will be dependent on this job creation. Population growth has already increased the number of Iraqis dependent on other Iraqis for their income and livelihood. The CIA estimates that even the current dependency ratio is 69.9, with a youth ratio of 64.1.8

**Changing the Nature of Jobs and Employment**

Equally important, the nature of employment must change for Iraq to develop. The CIA now estimates that Iraq already was 70.9% urbanized in 2020, and that the rate of urbanization was rising at 3.09% per year.9 The CIA estimates that even in 2008, 59.8% of the labor force was already in the service sector and 18.7% was in industry, leaving only 21.6% in agriculture.10 The percentage in agriculture may now be under 15%.

These figures show that most of Iraq’s population has already participated in a market-driven cash economy, and that virtually all new employment will be dependent on market forces. They also show that these are only vestigial future opportunities to revert to subsistence farming – these are options that already do not exist for most people who have been involved in sectarian and ethnic fighting and the battles against ISIS.
This also means that successful development requires that job creation take place in spite of a lack of agricultural reform, and an inefficient state sector that includes as much as 40% of the regular labor force. IMF and World Bank studies have found that these government industry jobs often have little real output and recently sometimes fail to actually pay salary. Other studies show that education, utilities, health, and other public services have never recovered from their pre-Iran-Iraq War levels or from the impact of the unrest and failed governments that followed the 1991 and 2003 wars.

**Deep, Endemic Economic Structural Problems**

All of these needs interact with other deep structural problems in the Iraqi Economy that helped create a massive economic crisis in Iraq before the start of the new Coronavirus and petroleum revenue crises that occurred in 2020. The CIA World Factbook estimated before the Coronavirus and petroleum export income crises began to have a major impact on Iraq that,

The Government of Iraq…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.

The CIA also estimated in October 2019 – long before the current crises began – that,

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.

The current World Bank economic overview, which was issued in late 2019, also predated the current crises. However, it still warned that,

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.

Higher spending together with lower oil prices will result in a fiscal deficit projected at 3.3 percent of GDP in 2020 and remain in a similar range in 2021. Lower oil prices and increased imports will cause the current account balance to remain in deficit and international reserves to decline. Volatility in oil prices remains the main risk, reflecting a lack of diversification and budget rigidities. These factors reduce Iraq’s financial buffers and increase its vulnerability to external shocks. Volatility could also reverse the outcomes of recent positive government reforms, especially in the electricity and agriculture sectors.
It should be stressed that none of these nation-wide assessments addressed the sharp ethnic, sectarian, and regional differences in wealth, or Iraq’s acute inequities in income distribution. Moreover, the impact of the fighting against ISIS and factional violence added to Iraq’s structural economic problems during 2018-2019. The UNHCR estimated in February 2020 that Iraq still had 429,537 refugees and internally displaced persons (IDPs); 247,568 Syrian refugees; 4,596,450 returnees with uncertain income and housing; and a total population of concern that is well over 6,300,000.11
Chart Three: Iraq’s Massive Population Growth

Demographic Overview - Custom Region - Iraq

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<td>Total fertility rate</td>
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<td>NA</td>
<td>NA</td>
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<td>35</td>
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<td>26</td>
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<td>Births (in thousands)</td>
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<td>NA</td>
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<td>716</td>
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<td>989</td>
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Source Information: Iraq

Demographic Overview - Custom Region - Iraq

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The Impact of the Coronavirus and Petroleum Revenue Crises

These deep structural challenges now interact with Coronavirus and Saudi-Russian oil production crises that are still developing. Iraq’s official estimate of the number of cases and fatalities from the Coronavirus are highly controversial, and some sources indicate that the reported number is far too low. As of mid-April, the official numbers were over 1,300 cases and 72 dead. However, efforts to control the Coronavirus were very limited, testing had negligible national coverage, Iran remained a source of new cases, and the Iraq Ministry of Health data seemed very uncertain. Efforts to reach a Saudi-Russian-OPEC agreement to limit the impact of the oil crisis also remained limited and tentative.

The EIA reports that as of April 2020, Iraq’s oil revenues fell steeply in March 2020 to a four-year low, even though countrywide exports held steady at over 3.87 million barrels per day (bpd). The Iraqi Federal Government earned just $2.989 billion – selling its 3.390 MMBD of oil exports at an average price of $32.73 – according to the Oil Ministry. This total was down by $2 billion compared to February 2020 and amounted to less than half of the January total.

This means that the Coronavirus and oil revenue crises will have a massive impact on Iraq’s current total per capita income, although their full impact is still unclear and unpredictable. The crises have also interacted with failed government economic policies that date back to the fall of the monarchy, such as the case of agriculture in which gross over-investment in subsidized and inefficient state industries peaked in the period just before the Iran-Iraq War. Since that time, the Iraqi economy has been in a constant state of war, crisis, or sanctions for 40 years.

In April 2020, the World Bank produced an analysis that does reflect a rough initial estimate of the economic impact of the Coronavirus. While that study warns in great detail that Iraq’s statistical reporting capacity is low – and that such Iraqi government reporting only reached an average of 51% of the capacity needed even in pre-crises times – it states that (p. 18), 12

> While the oil sector boosted growth in 2019, the Government of Iraq’s failure in service delivery, fighting corruption, and private-sector job creation has prompted ongoing social unrest since November. In response, a considerable expansion in public sector employment, pensions, and transfers overshadowed critical spending for human capital and reconstruction. The outlook entails considerable risks linked with lower oil prices, the spread of COVID19, budget financing constraints, political deadlock, and the need for fiscal consolidation.

The World Bank also estimates that oil prices and export revenues may well remain low through at least mid-2022 and had already cut the Iraqi GDP by 17% since 2020 (p. 7), stating any near-term growth estimates could only be made on the basis of past trends. 13 It also predicted that an 8.3% cut in per capita income was possible in 2020, and a total cut of 10.7% in 2020-2022, along with sharp cuts in the current account balance and fiscal balance (p. 10). This reflected Iraq’s participation in a much longer regional trend during 2000-2022 that the World Bank labeled as a “low growth syndrome” (p. 14).

The IMF did publish an updated Regional Economic Outlook: Middle East and Asia in mid-April 2020. Like the World Bank analysis, it could only guess at many aspects of the crises, but it did estimate that,

> The COVID-19 pandemic and the plunge in oil prices are causing significant economic turmoil in the region ... the impact could be long lasting… While there is considerable uncertainty around the depth and duration of the crisis, this pandemic will compound the region's unemployment problem and worsen the already high public and external debt.”
It projected the MENA economy to contract by 3.3 per cent in 2020, the biggest slump in four decades, and that the combined shocks of the Coronavirus and low oil prices will shave off $323 billion, or 12%, of the Arab world's economy – $259 billion of that from the energy-dependent Gulf states alone. Arab governments’ debt will rise by 15% or $190 billion this year to reach $1.46 trillion, as the cost of borrowing jumps due to tightening financial conditions. Oil prices at these levels could result in more than $230 billion in lost annual revenue by Arab oil exporters plus Iran, it said. The fiscal deficit for the region is expected to deteriorate from 2.8% of gross domestic product in 2019 to 10 per cent of GDP this year.

While the IMF did use a scenario calling for a relatively quick recovery in 2021, it also warned that oil revenues might fall below 50% of Iraq’s breakeven prices and confront Iraq with “rigid expenditure patterns and politically challenging policy choices(164,305),(806,524).” The scenario also warned that Iraqi real GDP growth could fall from 3.9% in 2019 to -4.7% in 2020, the government’s overall fiscal balance could change from -0.8% of the GDP in 2019 to -22.3% in 2020, and the current account balance could be altered from -1.2% of the GDP in 2019 to -21.7% in 2020.

- A more severe and protracted COVID-19 pandemic in the region or in its major trading partners could cause a prolonged production disruption, wider supply chain spillover, larger collapse in confidence and demand, and further deterioration in financial conditions. At the same time, banks and nonbank financial institutions, especially those that are not well capitalized, could come under stress through exposures to the affected sectors and households. All these can lead to a more severe downturn in 2020 and weaker recovery 2021. Moreover, a mishandling of the outbreak could elevate distrust in local governments, sowing seeds for further social unrest and adding to regional uncertainty.

- A further deterioration of risk sentiment could sharply reduce capital flows to the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region, especially portfolio flows—which are highly sensitive to global risk sentiment. For example, if the VIX were to remain at its recent peak in March (at 83) for the rest of the year, portfolio flows to the MENAP region could fall by as much as $100 billion (about 3 percent of GDP) …This decline would exceed total portfolio inflows to the region in 2019. Such a sudden stop in capital flows could stem investment, put pressure on the balance of payments, and cause disorderly exchange rate adjustments, particularly in countries with few buffers and weak fundamentals.

There is no clear way to estimate the impact of the current crises on Iraq’s people, or how each crisis will worsen the lack of fair income distribution by sect, ethnicity, or region. There are no reliable figures on actual income distribution. Even the simplest economic data – such as average national per capita income – are uncertain as the following two examples show:

The current CIA World Factbook estimates that Iraq’s total per capita pre-crisis income was $16,700 in 2017, 107th in the world. This compares with $20,100 for Iran; $46,000 for Oman; $49,000 for Bahrain; $54,500 for Saudi Arabia; $65,800 for Kuwait; $68,600 for the UAE; and $124,100 for Qatar.

In contrast, the World Bank estimate of GNI per capita by the Atlas method in current $US in 2018 may be the best standard of comparison in terms of a modern market economy and does not have the built-in exaggerations of the PPP method. The World Bank estimates that Iraq’s total per capita pre-crisis income was $5,040 in 2018. This compares with $5,470 for Iran; $15,140
for Oman; $21,890 for Bahrain; $21,600 for Saudi Arabia; $32,490 for Kuwait; $40,880 for the UAE; and $61,150 for Qatar. (https://data.worldbank.org/indicator/ny.gnp.pcap.cd).

There are no reliable figures on actual income distribution, and Iraq’s budget data present further problems. Even in September 2019, before the crises, a deputy in Iraq’s parliament warned that Iraq’s budget deficit had already reached $US 23.3 billion and it could reach $US 30 billion by late March 2020. He also warned that Iraq funded 93% of its budget through oil exports and that “Iraq has lost half of its financial revenues, with oil prices dropping to $30 [per barrel].” He stated that the 2020 budget draft that the government had proposed was $135 billion, with a deficit that had reached of $40 billion. These numbers were calculated on a price of $56 per barrel of oil, and that this price had dropped by nearly 50%.

Once again, this discussion touched on a number of budget cuts that affected an already angry public and did not analyze the impact of the Coronavirus. Equally important, the budget discussion did not mention Iraq’s national security spending – which the IISS had put at some 10% of Iraq’s GDP in 2019. It also did not address the fact that most of the civil budget went to pay for labor in Iraq’s state industries, and it did not state the extent to which Iraq’s petroleum wealth was consumed by a relatively limited elite, which had a power structure and rampant corruption that had favored Shi’ite areas – particularly around Baghdad – since 2005.

Finally, all of Iraq’s governance and structural economic problems have long created major barriers to the creation of a large and competitive private sector. As Chart Four shows, the World Bank also rated Iraq as one of the worst countries in the world in terms of doing business – ranking 18th from the bottom in 2020 – both in creating new business opportunities and in allowing existing private sector and government industries to operate efficiently and competitively.

There are many good reasons why Secretary Pompeo warned that a successful strategic dialogue would require a government that moved “away from the old sectarian model that ended up with terror and corruption.” It is hard to believe, however, that any strategic dialogue can have a meaningful result that does not give as much emphasis to the civil economy and budget reform as to Iraq’s other two “ghosts.” Economic and military aid may be extremely limited in a post-Coronavirus world, but options like Work Bank and IMF loans – and other loans – may well be as critical as governance and security.
Chart Four: Iraq’s Dismal Performance in the World Bank Ease of Business Rating

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Source: Doing Business database.

Note: The rankings are benchmarked to May 1, 2019, and based on the average of each economy's ease of doing business scores for the 10 topics included in the aggregate ranking. For the economies for which the data cover two cities, scores are a population-weighted average for the two cities. Rankings are calculated on the basis of the unrounded scores, while scores with only one digit are displayed in the table.

Dealing with Iraq’s Real Security Needs and Its “Ghost-like” Security Posture

The final set of Iraqi “ghosts” that must be addressed in shaping a meaningful strategy for Iraq and for a U.S. relationship with Iraq involve the current focus of the June strategic dialogue: security. From the viewpoint of the United States, the priorities are to contain or eliminate the rest of ISIS and to limit Iran’s role in Iraq – both in terms of direct Iranian intervention and Iran’s support of key Shi’ite political movements and various Popular Mobilization Forces (PMFs).

Iraq’s Real Security Priorities

From Iraq’s viewpoint, these are also very real issues, but Iraq’s overall security priorities are far broader, and other security issues are at least as important – if not more important. The following list of six major security threats and priorities illustrates this point and the extent to which current Iraq security efforts are so limited that they make up Iraq’s third “ghost.”:

- **Security means internal stability in terms of politics, governance, and economics.** No amount of progress in military forces, counterterrorism and internal security forces, and policing can substitute for the previous failures to bring civil stability to Iraq. Repressing popular protests, suppressing criticism, enabling corruption, and continuing failed policies and leadership are a real cause of internal violence just as much as any military or extremist threat. Trying to solve the more violent half of the security problem will inevitably fail to bring Iraq the security it needs.

- **Security means dealing with key sectarian (Sunni vs. Shi’ite) and ethnic (Arab vs. Kurd) issues, and the key regional divisions within each group.** Many Iraqis are in a state of denial about both the long history of sectarian and ethnic divisions in Iraq as well as the extent to which such violence countless times resurfaced in the Iran-Iraq War, at the end of the first Gulf War in 1991, in the course of the 2003 Invasion, and in every year since 2003. The fact is, however, that these divisions are the key cause of the Sunni extremist threat, Shi’ite links to Iran, Iraqi Kurdish separatism with ties to other Kurdish movements, the U.S. intelligence estimates that some 70% of Iraq’s smaller minorities have left the country, many of the abuses of the Iraqi security forces, the war against ISIS, as well as corruption and abuses in every aspect of the rule of law. There will again be no stability or security in Iraq – short of a state based on ruthless and near total repression – that does not address the need to build a national identity based on sectarian and ethnic equity and fairness.

- **Security means dealing with the key regional divisions within each ethnic and sectarian group on a nation-wide basis.** It is equally important to realize that each of Iraq major divisions – Arab, Kurd, Sunni, and Shi’ite – have deep divisions within them. Each has its own extremists – some driving government policies and actions while others opposing them. Equity and fairness are equal issues within each major faction, and bringing stability and reducing violence to acceptable levels is further complicated by the fact that there are no natural dividing lines in a country with Iraq’s level of urbanization, internal movements, and large service and industrial sectors.
• Security means dealing with the full range of outside pressures and threats: Iran’s search for influence and control is a very real threat to Iraq, but it is only one such threat. The Assad regime in Syria, the Kurdish-Arab enclave on Iraq’s northwestern border, Turkey’s real and politically exploitative efforts to secure itself from its own Kurds and other Kurds in the region, the lack of outside support and any form of unity from other Arab Gulf states are all security issues – compounded by U.S.-European, Russian, and Chinese competition for political and military influence as well as for economic gains. With the possible exception of Jordan, Iraq has a security problem on every border, and its petroleum resources make it a target for all three major outside power.

• Security means creating an effective rule of law that serves and protects every Iraqi. Iraq often has the shell of a rule of law rather than a fully functional mix of police, local security forces, courts, timely judgements, and actual enforcement of both laws and court judgements. Its rule of law also suffers from endemic corruption, poor facilities and training, post-2003 U.S. and other outside efforts to focus on counterterrorism at the cost of actual justice, and the attempts to convert Iraq from a “confessions-based” to an “evidence-based” legal system. In far too many cases, it is now the side with the most money that can buy justice and decide how the law should rule – and pass judgment – rather than the actual law. Security and stability require a rule of law that is actually a rule of law.

• Security means creating military other security forces that can both provide internal security and also deter and defend against outside threats. As is discussed in more detail later in this section, Iraq’s military forces are still far too weak to secure its borders, deter and defend against outside powers, and provide effective counterterrorism and internal security operations against threats like ISIS.

Security Threats to Iraq that Directly Involve the United States

This does not mean that Iraq does not share some key security priorities with the United States, although Iraq and the U.S. do have very different overall priorities and approaches to the areas where they face common threats. These include four additional security threats and priorities:

• ISIS and violent extremism remain a problem. Estimates of ISIS’s remaining forces are highly uncertain, but it is obvious that ISIS – and similar extremist movements remain a threat inside Iraq and around it. Iraqi estimates go as high as 20,000 fighters in Iraq and Syria, and a U.S. Department of Defense estimate in the summer of 2019 put the figure at 14,000-18,000. Press reports indicate there are still some 60 violent incidents inside Iraq per month, and while estimates by outside experts vary, there is no credible estimate that does not indicate that ISIS – or some movement(s) that evolves out of it – remains a serious potential threat.17

The United States now focuses on ISIS as a potential threat to the U.S. and its strategic partners, but it still has steadily reduced both its military presence in much of Iraq and its level of forces in the Gulf region tailored to dealing with this threat. Iraq must focus on the potential extremist threat to Iraq – which can easily evolve back into a major extremist movement or into a new series of such movements – just as ISIS evolved to some extent out of al-Qaeda.
Iraq’s Popular Mobilization Forces (PMFs) threaten Iraq as well as the United States. The fight against ISIS, Iraq’s deep political divisions, and a self-seeking search for power have led to the creation of some 40 Popular Military Forces that have some Christian and Yazdi elements but are largely divided between a large number of Shi’ite groups and Sunni groups — largely based in Iraq’s Sunni areas.

These groups have existed since the fight against ISIS became a priority in 2014, and they played a key role in defeating it. They originally were formed by the Iraqi government in June 2014, and two days after Iraq’s leading Shia cleric, the Ali al-Sistani, issued a non-sectarian religious directive or fatwas on “Sufficiency Jihad.” They drew, however, on existing factional armed groups tied to given sects and leaders, and many became the tools of given power brokers, ideologues, and political leaders.

In theory, they were reorganized in 2018 by Haidar al-Abadi who issued “regulations to adapt the situation of the Popular Mobilization fighters,” when he became Prime Minister. He claimed the title of commander-in-chief and gave the PMF’s he recognized ranks and salaries equivalent to those of the Iraqi military.

The United States is primarily concerned with the Shi’ite PMFs with ties to Iran — PMFs that not only serve Iran’s interests, but some of which have close ties to the Iranian Al Quds forces. The PMFs with Iranian influence have repeatedly attacked U.S. forces in Iraq and played at least an indirect role in the attack on the U.S. embassy in Baghdad in 2019. These PMFs have received money, arms, and sometimes training from Iran.

Iraq lacks the political cohesion for its leaders to have any clear position on their future, but any analysis on the history of such groups is aware that they almost inevitably are absorbed into national forces, suppressed, or become a serious internal security threat or often a key cause of separate enclaves of power or of civil war. Almost regardless of how they begin, they become a natural road to future ethnic and sectarian violence, the abuse of power, and instability once there no longer is a unifying threat and reason for their existence.

Excessive Iranian influence and intervention pose a critical threat to Iraq’s unity and development. Iran’s approach to Iraq has gone from one of seeing Iraq as its principle threat from 1980-199, to a fear of the U.S. military’s use of Iraq as a springboard for the invasion of Iran after 2003, to one of seeking influence and control in Iraq on what seems to be an opportunistic basis. It has sought this influence through political intervention, religious activity, economic activity, and security activities like the previously cited support of key Iraq Shi’ite PMFs.

It is not clear that Iran feels it can make Iraq a security partner — or part of any kind of Shi’ite axis or crescent — although Iran would probably do so if it saw the opportunity. Iran clearly, however, would like to end all U.S. influence and security presence in Iraq, see a strongly pro-Iranian government, expand its security influence, and establish a clear security transit route or corridor from Iran to Syria.

Iran, in particular, has already shown its capabilities to exploit internal divisions in Syria, Lebanon, Yemen, and in significant parts of Iraq. The chronology attached as
an annex to this analysis provides a long list of Iran’s past success in exploiting them – a subject covered in more detail in another Burke Chair report, *Iran and the Changing Military Balance in the Gulf - Net Assessment Indicators*.19

Iran can also succeed simply by making the Iraqi government fail. It may well want to achieve a stable Iraq that is under heavy Iranian influence to be part of a stable axis that includes Syria and Lebanon. The fact remains, however, that Iran can achieve its ends simply by driving the United States out of Iraq and assuming the role of an outside provider of civil and military aid. A weak, crippled, or divided Iraq will still give Iran relative freedom of action and present no threat to its influence.

Iran can achieve most of its key security interests simply by playing a spoiler role and by deliberately encouraging Sunni and Shi’ite tensions and divisions as well as Iraqi Shi’ite dependence on Iran. Barring a major change in the policies and character of the Iranian regime, Iran will remain a threat indefinitely into the future.

- **The lack of any coherent and effective U.S. approach to dealing with Iraq.** The United States has actively sought to expand its influence in Iraq since the fall of the Shah of Iran in 1979, but it has never pursued a consistent policy over time. The U.S. terminated the first Gulf War in 1991 without any clear goal for dealing with Saddam Hussein.

The United States invaded Iraq in 2003, removed Saddam from power, and effectively destroyed Iraq’s military forces and its ability to deter Iran without any clear plans for what would happen in Iraq once Saddam was gone. It then cobbled together assets of civil-military plans to transform an Iraq that failed to effectively deal with any of Iraq’s three ghosts, ended most of its military and civil programs in 2011, and then continuously reentered Iraq after the Maliki government created a new low-level civil war, the ISIS invasion of Iraq, and the near collapse of Iraq’s still weak efforts to rebuild its military forces.

From the ISIS invasion of Iraq in June 2014 to 2018, the United States focused on rebuilding Iraqi security forces to defeat ISIS – facing growing pressure from Iran, new security issues in Syria, and growing pressure from Turkey as Iraqi and U.S. forces broke up the ISIS Caliphate. It never developed new major policy efforts to deal with any other major aspect of Iraq’s “ghosts” – political, governance, economic, or national defense – after 2011.

During 2018 through April 2020, the United States has never developed a clear strategy or well-defined program for dealing with Iraq. It has instead reacted to the most current threat at any given moment.

Moreover, any security dialogue in June will occur at a time when the United States has created a serious credibility problem. The causes include the recent series of sudden U.S. military actions against Iran and Iraqi PMFs, the U.S. announcements of force cuts that are then promptly reversed by U.S. government officials seemingly on a whim, and the lack of a U.S. strategic commitment to Iraq’s future. They come all too close to repeating the damage the United States did in leaving too easily and with too little concern for the future back in 2011.
This damage has been aggravated since the break-up of the ISIS “caliphate” when the United States abolished U.S. consulates, reduced its diplomatic presence, gutted the size and role of the U.S. Embassy in Baghdad, and – in response to the more recent cycles of attacks on U.S. occupied bases – simply gave them up without any clear effort to work with the Iraqi government and forces to retain a U.S. presence.

While there do not seem to by any current reliable and unclassified data on the U.S. military and civil presence or on the distribution of military, civil, and contractor personnel in Iraq, this new cycle of putting added pressure on Iran but then withdrawing from Iraq has become all too clear in a Gulf region with less and less reason to trust the United States.

• The United States had personnel and facilities in 9 bases in Iraq in 2019, although varying sources differ on the exact number:
  1. Al-Taji Military Base
  2. Military Base at Erbil International Airport
  3. Camp Victory Army Base at Baghdad International Airport
  4. K1 Air Base
  5. Balad Air Base
  6. Al-Taqaddum (Habbaniyah) Air Base
  7. Ain al-Asad Air Base
  8. Qayyarah Air Base
  9. Harir Air Base

• The United States has since pulled out of the following bases in response to Iranian and pro-Iranian PMF pressure in 2020:
  1. March 19, 2020: Al-Qaim
  2. March 26, 2020: Qayyarah West (Q-West)
  3. March 29, 2020: K1 Air Base
  4. April 4, 2020: Al-Taqaddum Air Base

_Security “Ghosts:” The U.S. Can Help but Ultimately, Iraq Must Help Itself_

When one examines the full list of security threats that Iraq must resolve, many of them can only be addressed by Iraq – although the United States and other outside powers can provide substantial aid if Iraq develops the right plans and policies. These include all of the seven main threats to Iraqi security – including immediate security challenges that result from the development of an effective rule of law, the role of the police and the internal security forces, as well as the political and civil challenges to security.

Outside powers like the U.S. can provide technical aid in some of these areas, but resolving Iraq’s endemic sectarian, ethnic, and corruption issues in providing a fair and efficient rule of law can only come from within. The story is different, however, when it comes to developing a fully effective military, counterterrorism, and other national security forces.

The rebuilding of Iraqi forces that made the break-up of the ISIS caliphate possible involved intense combat – and it demonstrated the courage and effectiveness of the Iraqi units involved.
However, the breakup of the “caliphate” did not defeat extremism and terrorism in Iraq, nor did it create the kind of army, air force, land-based air defense forces, navy, and counterterrorism forces necessary to give Iraq the ability to deal with any resurgence of terrorism, sectarian warfare, internal conflict, or outside pressures from states like Iran and Turkey.

Iraq’s efforts to rebuild and unify its forces will also have to come to grips with the remaining divisions between the central government and Kurdish forces and – above all else – the deep sectarian divisions within the Popular Mobilization Forces (PMF) – some which act as near proxies for Iran and have been the source of repeated attacks on U.S. forces based in Iraq.

Iraq almost certainly cannot find quick solutions to all of these problems, but it does need some form of agreement on a plan to deal with them over time and a strategy to create military forces large and strong enough to secure its borders next to Syria, Turkey, and Iran.

**Rebuilding a Real National Deterrent and Defense Capability**

There are, however, two major areas where the United States can play a decisive role in helping Iraq achieve the level of security forces and capabilities it needs over at least the next three to five years – if Iraq is willing to provide the facilities and support that is needed, and if the U.S. is willing to make a lasting strategic commitment. These are both areas that could be addressed in the proposed June security dialogue.

The first area is to provide help in training and rebuilding Iraqi forces. **Chart Five** provides a rough indication of the extent to which Iraqi security forces remain underdeveloped and do not constitute a fully effective counterterrorism force or even anything that resembles an effective deterrent and defense against powers like Iran.

Many of the armor, artillery, and other land weapons show in **Chart Five** are worn, have not had adequate maintenance for real war fighting, and are aging systems of Soviet bloc origin. Many need rebuilding and modernization or replacement, and it is unclear what nation other than Russia could supply the needed services and equipment for rehabilitating and modernizing some Soviet bloc designs. Many Iraqi Army armored systems have limited real world readiness, and Iraq needs help in rebuilding a training, O&M, and IS&R base that can meet its full national security needs.

More generally, **Chart Six** shows that Iraq’s Air Force is still very small, and although it has some F-16s, it is just beginning to develop modern air combat capabilities. Iraq could never have defeated ISIS without the support of the U.S. Security Forces Assistance Brigades and the air power from the U.S.-led coalition based in Iraq. While airpower received far less attention than the fighting on the ground, the coalition flew 78,033 strike sorties as well as 43,581 intelligence, surveillance, and reconnaissance sorties in Iraq and Syria during the peak years of the fighting against ISIS in 2015-2018. Another 13,694 strike sorties, and 13,377 intelligence, surveillance, and reconnaissance sorties were flown as the fighting eased in 2019.20

Moreover, Iraq has no major land-based air and missile defense weapons, airborne warning and control system (AWACS), or air defense ground environment capabilities. This is a critical set of requirements in dealing with neighbors like Iran, Turkey, and Syria.

Iraq also needs help in force integration. The Iraq central government forces still do not fully integrate Kurdish forces into the national forces, and there are up to 193,000 in Shi’ite or Sunni Popular Mobilization Units from groups like the Badr Organization, Kataib Hizbullah, Kataib
Imam Ali, Kataib Sayyid al-Shuhada, and others. It is unclear that such forces would fight for the central government if it challenged their sectarian group or party faction, and many are tied closely to Iran. In theory, such forces are now linked to the central government, but they are not truly integrated. Historically, these are conditions where such forces have almost always been a source of serious internal tension and violence – and sometimes civil war.

**Countering Iran’s Internal Threat to Iraq**

If there are any convincing, detailed Iraqi or U.S. plans to deal with these situations – plans that go beyond the level of ground force counterterrorism capability used to defeat ISIS or even to develop anything close to the combination of air combat and IS&R capabilities that the United State provided to support Iraqi ground forces against ISIS – none of them are public. Moreover, such assistance means finding a solution that not only removes Iran’s ability to use Iraqi PMFs and its ability to infiltrate Iraq, but one that also provides suitable security for a U.S. presence in Iraq that would provide the necessary train and assist capabilities to Iraqi forces.

The area that is most critical and time-sensitive to a near term strategic dialogue is the ability to find a solution to the threat Iran can pose to any U.S. effort to aid Iraqi forces (and to any outside efforts to provide economic support and aid). Here, once again, Iraq must make the final decision. It has two major options which are not exclusive – if the United States makes the necessary strategic commitment to aid Iraq’s force development.

The first option is to allow the United States to react by striking both the Iraqi PMFs that attack U.S. forces and facilities as well as the Iranian targets where Iran is clearly responsible. The second is for Iraq to provide full security for U.S. advisors and personnel – security that must apply to the U.S. Embassy and civilian aid personnel. Neither option is easy, and both involve dealing with threat forces that embed themselves with civilians – which means that retaliation and counterstrikes will also produce civilian casualties. Both also involve quick and decisive responsive action. Delays and debates will either mean no effective defense or a loss of much of the deterrent effect of any action – potentially increasing civil casualties and the political cost of effective action over time.
Chart Five: The Iraqi-Iranian Military Balance in 2020

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<td>Armored Personnel Carriers</td>
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<td>Air Force &amp; Air Defense Personnel</td>
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</tr>
<tr>
<td>Landing Craft</td>
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<td>13</td>
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Source: Adapted from the IISS, Military Balance 2020, pp. 349

Expanding the Options for Iraqi-U.S. Dialogue and Cooperation

Any near-term security dialogue will have sharp limits. The United States and Iraq cannot move forward on any broad level until they address the challenges posed by Iran, and pro-Iranian PMFs. Any near-term security dialogue will have to be limited in scope by the fact that Iraq will at best have a new prime minister who will not have had time to show whether he can actually unite and lead the country.

And, any discussions of aid and support will have to take place before the global, regional, and national impact of the Coronavirus and petroleum revenue crises are clear – crises that have already begun to trigger a major global competition for economic aid and will have a major impact on military spending and demands for military aid as their level of impact becomes fully clear.

Moreover, even if Iraq acquires better leadership and governance, the United States can only help Iraq lay part of its three sets of “ghosts” to rest. Even the most successful strategic
relationship will still require Iraq to assume primary responsibility for reforms of its politics, governance, economy, and security forces. Iraq not only will need to agree on effective leadership for its government, it must also accept the fact that outside aid will be limited in a world recovering from the shock of the Coronavirus. The previous analysis also warns that the odds of Iraq being able to make such progress are uncertain. If there was a window of opportunity immediately after the collapse of the ISIS “caliphate,” Iraq’s divided leaders missed it.

Nevertheless, the U.S. has clear humanitarian responsibilities in dealing with Iraq – and major strategic interests in improving Iraq’s stability and security. The United States may only be responsible for part of the problems in Iraq’s post-2003 development, but it clearly does have some responsibility: the lack of any consistent, effective U.S. effort to deal with Iraq’s civil and military problems or to develop and maintain an effective security posture in Iraq did help cripple Iraq after 2003. The U.S. not only failed to sustain effective security efforts, it failed to take a realistic approach to helping Iraq develop a workable system of governance and economic development.

This means that any enduring strategic relationship between the United States and Iraq must go beyond the past focus on ISIS, and the present narrow focus on Iran. It must recognize that Iraq’s civil and military development has never recovered from the impact of the first Gulf War in 1991, the invasion in 2003, the various crises that followed, and the fight against ISIS. It must also recognize that Iraq’s present political leadership and governance must show that Iraq can create the internal conditions where Iraq’s civil-military recovery is possible, and that this can only happen if Iraqis take responsibility for creating these conditions for themselves.

**Finding the Right Military Focus for A Lasting Strategic Relationship**

The security “ghost” is not Iraq’s most important “ghost,” but it is the first “ghost” that must be dealt with. At a minimum, a successful near-term strategic dialogue must end with an Iraqi commitment to provide real Iraqi support for using Iraqi military forces to fully protect Americans serving or based in Iraq, and/or to allow U.S. retaliatory strikes under some conditions. This will present problems for the Iraqi government but might be traded for U.S. willingness to waive sanctions on Iraqi imports of Iranian gas and electricity – waivers that now expire on April 25, 2020.

At the same time, such action is critical if the U.S. is to provide the military aid Iraq needs. It is far from clear how the United States can only play the roles Iraq needs to emerge as a truly independent power: the U.S. should safely provide train and assist brigades in forward areas, offer broad help in forging modern Iraqi air defenses, give similar aid in rebuilding a surface-to-air missile force, and provide at least limited naval assistance.

This means the United States will need to work closely with Iraq to decide on whether the U.S. should be building up an Iraqi force and then simply leaving, or if it should also try to then create some form of lasting strategic partnership. It is tempting to advocate partnership, but Iraq has a long history of independent nationalism and very divided views of the United States.

Accordingly, the United States should take a different approach. It should make it clear that both its security and civil programs have the goal of creating a strong and independent Iraq with no lasting U.S. presence – unless outside power like Iran forces Iraq to request direct U.S. military support.
The United States should make it clear that its security programs have time limits unless Iraq faces new threats from the outside, are designed to create a strong and independent Iraq rather than a security partner, and will result in a phased out U.S. presence when Iraq security forces become truly effective. This focus on a “strong Iraq” will do the most to broaden Iraqi support, reduce support for Iran, and put some restraints on Iran’s willingness to use directly attack on U.S. forces and civilians – or use support from pro-Iranian PMFs.

**U.S. Support for Effective Iraqi Governance and Economic Development**

The United States needs to be extremely careful when it comes to any U.S. effort to intervene in – or aid – Iraqi politics and governance. The U.S. should actively encourage national unity, efforts to reduce the causes of ethnic and sectarian division, as well as efforts to encourage honest, effective government. It should make no effort, however, to transform Iraq at rates that the Iraqi political system does not support or cannot absorb.

The United States should support economic aid as a key incentive for Iraqi progress in achieving national unity. Such aid should be as international as possible, and it should be tied to conditional loans rather than grants. The Coronavirus is already making future grant aid funds scarce at best. Iraq should, however, be able to repay most loans over time – and some loans can be flexible and sometimes forgiven. Internationalizing aid will reduce the strain on the United States, probably raise additional funds, and – like building up Iraqi forces and then leaving – lower the threshold of tension with Iran.

Here, recent experience indicates that the United States should turn to the World Bank, rather than USAID. USAID has shown great strengths in dealing with project aid and emergency relief, but little strength in helping to develop and implement broad national development plans. The UN has been all to ineffective in other cases, and the IMF focuses too much on international payments and loans. A strong World Bank field team would also be less provocative to Iran.

The United States will also need to do what it has failed to do in Afghanistan and failed to do in Iraq during 2003-2011. It should work with Iraq to create a truly conditional economic aid program that is tied to – and conditional on – both major reforms and the honest and equitable distribution of such aid.

The United States has every reason to make aid and support conditional on the kind of unity Secretary Pompeo mentioned in calling for a strategic dialogue. The United States should make U.S. aid and support conditional on the quality of Iraqi leadership and integrity. Cash flow and adjustments in payment levels or loan repayments must be made dependent on the honesty and effectiveness of Iraqi officials and companies in using U.S. aid. Political figures in recipient countries like Iraq may not like conditional aid, but the reality is that far too many of such officials are far more concerned with their own greed than any aspect of sovereignty or the welfare of their own people.

The United States has moral and ethical obligations to the Iraqi people in addition to serving its own strategic interests, but it has no obligations to corrupt Iraqi politicians and officials. In fact, the U.S. and its partners should act to publicly oust Iraqi officials rather than repeat calls for national anti-corruption drives, and they should seriously consider denying such officials and their families entry visas. There is no point in continuing the long history of demanding anti-corruption drives and internal efforts, which seemingly always end up punishing those that try to make them work or are used to punish rivals and scapegoats.
Setting the Right Goals for an Iraqi-U.S. Strategic Relationship

It is all too clear that the United States alone cannot exorcise all of Iraq’s “ghosts,” and that these “ghosts” will haunt Iraq until it actually begins to help itself. The U.S. should, however, give Iraq valid military and civil options and not simply repeat its past mistakes.

The United States must be prepared to provide serious assistance to Iraq – including keeping U.S. train and assist military advisors, State Department, and other aid personnel on the ground – for at least several years.

It is also clear that the United States also must not continue to focus on the military dimension and particularly on creating stronger Iraqi counterinsurgency forces. U.S. aid efforts must focus on achieving a balanced level of capabilities that include both civil issues along with national defense. No amount of security assistance will achieve stability or meet the needs of both the Iraqi people and U.S. national interests if it does not encourage effective governance and the development of a strong and equitable Iraqi economy.

Accordingly, another key criteria for any successful and strategic dialogue will be making a U.S. commitment to stay the course in Iraq as long as possible – hopefully to the point where Iraq is clearly able to achieve future success on its own. The United States cannot succeed by withdrawing from Iraq, by claiming a broad victory against an ISIS “caliphate” that does not exist, and by ignoring the gains being made by pro-Iranian PMFs. Repeating Vietnam and the Vietnamization of troop withdrawals may be an option, but it is not the right one for Iraq.
Appendix: Chronology of the U.S. Role in Iraq and Tensions with Iran: 2018-2020

May 8, 2018: Trump announces that the U.S. is withdrawing from the nuclear deal signed by his predecessor, President Barack Obama, which had provided sanctions relief in exchange for restrictions on Iran’s nuclear program and stepped-up U.N. monitoring. Over the next several months, the U.S. ratchets up sanctions, exacerbating an economic crisis in Iran.

May 21, 2018: US Secretary of State Mike Pompeo issues 12 demands that Iran make sweeping changes – from dropping its nuclear program to pulling out of the Syrian war – or face severe economic sanctions. They are rejected by Tehran.

August 7, 2018: U.S. reimposes the first round of sanctions on Iran, that had been lifted as part of the nuclear deal. They prohibit trade with a number of business sectors - from aviation and carpets to pistachios and gold.

September 28, 2018: A rocket attack takes place on the U.S. Consulate in Basra. The U.S. blames Iran and Iranian-backed Shiite forces in Iraq. Soon after, the U.S. closes its Basra consulate.

Nov. 5, 2018: U.S. imposes tough sanctions on Iran’s oil industry, this time specifically targeting the key oil and banking sectors – the lifeline of its economy. Secretary of State Mike Pompeo emphasizes list of 12 demands it must meet for sanctions relief. Iran rejects the wide-ranging demands, which include ending its support for armed groups in the region, withdrawing from the Syrian civil war, and halting its ballistic missile program.

April 8, 2019: Trump announces that the elite Islamic Revolutionary Guard Corps (IRGC) is designated as a foreign terrorist organization. It is the first time Washington has formally labelled another country's military a "terrorist group." The designation imposes wide-ranging additional economic and travel sanctions on the IRGC that go into effect on April 15.

May 5, 2019: Then National Security Adviser John Bolton announces the U.S. is sending an aircraft carrier strike group, Patriot batteries, and B-52 bombers to the Middle East “in response to a number of troubling and escalatory indications and warnings…The United States is not seeking war with the Iranian regime, but we are fully prepared to respond to any attack, whether by proxy, the Islamic Revolutionary Guard Corps or regular Iranian forces.”

May 8, 2019: Iran says it is preparing to increase uranium enrichment and heavy water production as part of its decision to stop certain commitments made under the nuclear deal. President Rouhani states that, “Starting today, Iran does not keep its enriched uranium and produced heavy water limited. The EU/E3 2 will face Iran's further actions if they cannot fulfill their obligations within the next 60 days and secure Iran's interests. “Win-Win conditions will be accepted.” Trump announces new measures against Iran's steel and mining sectors.

May 12, 2019: The United Arab Emirates says four commercial ships off its eastern coast and Fujairah “were subjected to sabotage operations.” Trump warns that if Tehran does “anything” in the form of an attack, “they will suffer greatly.” Officials identify the damaged ships as the Saudi oil tankers Al-Marzoqah and Amjad, the Norwegian tanker Andrea Victory, and a UAE bunkering barge, the A Michel. Fujairah is the only Emirati terminal located on the Arabian Sea, bypassing the Strait of Hormuz through which most Gulf oil exports pass.
May 14, 2019: Yemen's Houthi rebels, fighting with a Saudi-UAE-led military coalition, launch drone attacks on Saudi Arabia on May 14, striking a major oil pipeline and taking it out of service. Two days later, Riyadh, a key U.S. ally, blames Iran for the attack. The U.S. and Saudi Arabia accuse Iran of arming the Houthis, but Tehran denies the claim.

May 19, 2019: A rocket lands near the U.S. embassy in Baghdad. No one is harmed. President Trump tweets: “If Iran wants to fight, that will be the official end of Iran. Never threaten the United States again!”

May 27, 2019: After meeting with Japanese Prime Minister Shinzo Abe, who offers to broker dialogue between Washington and Tehran, Trump says the U.S. is not looking for regime change in Iran.

June 12, 2019: Abe lands in Tehran seeking to mediate between the U.S. and Iran. The next day, he meets Iran's Supreme Leader Khamenei who states: “I don't consider Trump as a person worthy of exchanging messages with. I have no response for him and will not answer him.”

June 13, 2019: A Norwegian and a Japanese oil tanker in the Gulf of Oman near the Strait of Hormuz are attacked with limpet mines in an Iranian attack that leaves one ablaze and adrift as 44 sailors are evacuated by Iran from both vessels and the U.S. Navy rushes to assist. America later blames Iran for the attack, something Tehran denies. Iran speaks initially of "accidents" and Zarif calls the tanker “attacks” during Abe's visit “suspicious.”

June 18, 2019: A rocket attack takes place on an operations headquarters of several global major oil companies, including American oil firm, ExxonMobil, near the Iraqi city of Basra. The attack occurs near the Iranian border, is largely by Shiite, and is dominated by pro-Iranian Shiite Iraqi militias. Three people were injured in the attack.

June 20, 2019: Iran’s Revolutionary Guard shoots down a U.S. Global Hawk military surveillance drone one source indicates cost some $210 million. The US says it was flying above international waters. Iran says the drone was flying in Iranian airspace. Trump announces that he called off a military strike on Iran the night before, which was intended as retaliation against Tehran for the downing of the unmanned U.S. drone. He states he did so 10 minutes before the planned attack because of potential casualties, saying it was “not proportionate to shooting down an unmanned drone.” Trump also states a U.S. strike could have killed 150 people, and that he is open to talks with Tehran.

However, one source states there are reports that the United States Cyber Command (CyberCom) did launch cyber-attacks on Iranian spy groups and cyberwarfare units. For the past several months it was reported that Iranian cyber-attacks on U.S. government and industrial targets by Iranian hackers were increasing.

June 22, 2019: Iran warns that it is ready to respond firmly to any US threat against it. "We will not allow any violation against Iran's borders. Iran will firmly confront any aggression or threat by America," Abbas Mousavi, foreign ministry spokesman, says. On the same day, Iran orders the execution of a “defense ministry contractor” convicted of spying for the U.S. Central Intelligence Agency, while the U.S. warns it will impose fresh sanctions, adding that military action was still “on the table.”

June 24-25, 2019: June 25, Trump signs an order targeting Khamenei, Iran's supreme leader, and associates with additional financial sanctions. "Sanctions imposed through the executive order ... will deny the supreme leader and the supreme leader's office, and those closely affiliated
with him and the office, access to key financial resources and support,” the U.S. president says. Zarif, the Iranian foreign minister, responds by tweeting that “hawkish politicians close to Trump were thirsty for war rather than diplomacy,” and that Trump is “100% right that the US military has no business in the Persian Gulf. Removal of its forces is fully in line with interests of US and the world. But it’s now clear that the B Team is not concerned with US interests—they despise diplomacy, and thirst for war.”

**June 29, 2019:** The U.S. Air Forces Central Command says in a statement that F-22 Raptor stealth fighters are being deployed in the region “to defend American forces and interests.”

**July 1, 2019:** Iran follows through on its threat to exceed the limit set by the nuclear deal on its stockpile of low-enriched uranium, which is used for civilian applications and not for nuclear weapons. The United Nations’ atomic watchdog confirms that its inspectors had verified the 300kg cap had been breached. Zarif says the accumulation of more enriched uranium than permitted under the deal is not a violation of the pact. On **July 8,** Iran states it has exceeded the cap on Uranium enrichment set in the nuclear deal, the second time in one week that it acts on its statements it will reduce compliance with the accord.

**July 4, 2019:** British Royal Marines, police and customs agents in Gibraltar seize a supertanker accused of carrying Iranian crude oil to Syria in breach of European Union sanctions. The *Grace 1* vessel is boarded when it slowed down in a designated area used by shipping agencies to ferry goods to ships in the UK territory along Spain's southern coast. On **July 12,** police in Gibraltar arrest the captain and chief officer of the Iranian tanker.

**July 11, 2019:** Iranian Revolutionary Guard Corps (IRGC) is accused of harassing a British merchant vessel in the Persian Gulf. The presence of a British warship in the area is believed to have saved the ship from a possible takeover or attack.

**July 13, 2019:** A Panamanian-flagged oil tanker *Riah,* which is based in the UAE, disappeared from ship tracking systems after approaching Iranian waters. It is believed to have been seized by the IRGC.

**July 15, 2019:** Saudi forces find a remote-controlled ship, called a Blowfish, filled with explosives in the Red Sea, in the path of the oncoming UK destroyer, HMS Duncan. The Duncan was heading to the Gulf to reinforce the British naval presence there in the ongoing Iran crisis. It is believed that the “bomb boat” was placed there by the Yemeni Houthi Shiite group that is engaged in a civil war in Yemen. The Houthis are long-time allies of Iran.

**July 19, 2019:** The IRGC seizes a British oil tanker in the Strait of Hormuz. The *Stena Impero* tanker “was confiscated by the Revolutionary Guards at the request of Hormozgan Ports and Maritime Organization when passing through the Strait of Hormuz, for failing to respect international maritime rules.”

**July 25, 2019:** The British government announces its warships will escort all British-flagged vessels through the Strait of Hormuz, a change in policy that takes place amid rising tensions in the Gulf. The HMS Montrose, a British frigate, is assigned to escort ships: “Freedom of navigation is crucial for the global trading system and world economy, and we will do all we can to defend it.”

**August 1, 2019:** U.S. imposes sanctions on Zarif. “Javad Zarif implements the reckless agenda of Iran's Supreme Leader, and is the regime's primary spokesperson around the world,” Treasury
Secretary Steven Mnuchin says in a statement. Zarif tweets this indicated Washington saw him as a “threat.”

August 15, 2019: Gibraltar’s Supreme Court rules that the Grace 1 is free to sail, just hours after the U.S. makes a last-minute attempt to keep the vessel under detention.

August 23, 2019: Rouhani announced deployment of a new Iranian designed and made air-defense system into the country's missile defense network at an unveiling ceremony in Tehran. Iran had begun production after the purchase of Russia's S-300 system was temporarily suspended in 2010 due to international sanctions that have barred it from importing offensive and heavy weapons. Rouhani claims the mobile surface-to-air system was “better than S-300 and close to [more advanced] S-400.”

August 26, 2019: Zarif holds talks with President Emmanuel Macron of France at the sidelines of a G7 summit following a surprise invite to the gathering in Biarritz. Zarif says that, “Iran’s active diplomacy in pursuit of constructive engagement continues. (The) Road ahead is difficult. But worth trying.”

August 30, 2019: The UN’s IAEA reported that Iran is still increasing its stock of enriched uranium and refining it to a greater purity than allowed in the agreement.

September 3, 2019: The U.S. sanctions Iran’s agency and two research organizations for being used to advance Tehran's ballistic missile program. The measures imposed by the US Department of the Treasury target the Iran Space Agency, Iran Space Research Center and the Astronautics Research Institute. “The United States will not allow Iran to use its space launch program as cover to advance its ballistic missile programs.”

September 4, 2019: U.S. blacklists an oil shipping network that Washington alleges is directed by the IRGC.

September 7, 2019: Iran begins injecting gas into its advanced centrifuges to increase its stockpile of enriched uranium and warns time is running out for the nuclear deal's other signatories to save the landmark pact. An Iranian spokesman, Behrouz Kalahandi, states Iran's Atomic Energy Organization has started up advanced centrifuges at the enrichment facility in Natanz, the third step by Tehran in scaling back its commitments under the crumbling pact following Washington’s withdrawal.

September 14, 2019: Drone attacks take place on two major Saudi Aramco oil facilities: Abqaiq – the world's largest oil processing plant – and the Khurais oilfield, in eastern Saudi Arabia. The pre-dawn strikes knock out more than half of crude output from the world's top exporter. Saudi oil facilities temporarily cuts off half the oil supplies of the world’s largest producer – about 5% of the world supply of oil – causing a spike in prices. Iran denies involvement, while the Iran-backed Houthi rebels in Yemen claim responsibility. The U.S. says Iran carried out the attack directly, calling it an “act of war” against Saudi Arabia.

October 2019: Massive anti-government protests erupt in Lebanon and Iraq. While the protests are primarily driven by economic grievances, they target governments that are closely allied to Iran. In Iraq, protesters openly decry Tehran’s influence and attack Iranian diplomatic facilities.

November 2019: Protests break out in some 100 cities and towns in Iran after authorities raise the price of gasoline. The scale of the protests and the resulting crackdown are hard to determine.
as authorities shut down the internet for several days. Amnesty International later estimates that more than 300 people were killed.

**November 9, 2019:** Iranian-backed Shia militias fired rockets at Q-West Air Base located in North-West Iraq.

**December 3, 2019:** Shiite militias launch a rocket attack against Al Asad Air Base.

**December 5, 2019:** Shiite militias fire rockets against Balad Air Base.

**December 9, 2019:** Shiite militia groups fire rockets at the Baghdad Diplomatic Support Center located on the Baghdad International Airport.

**December 27, 2019:** A U.S. contractor is killed, and four American and two Iraqi troops are wounded in a rocket attack on the K1 base in northern Iraq, near the city of Kirkuk. The attack is made by Kataeb Hezbollah, one of several Iran-backed militias operating in Iraq.

**December 29, 2019:** In response, U.S. airstrikes hit Kataeb Hezbollah positions in three bases in Iraq and two in Syria, killing at least 25 fighters and bringing vows of revenge. Iraq calls the strikes a “flagrant violation” of its sovereignty.

**December 31, 2019:** Hundreds of Iran-backed Iraqi Shite militiamen and their supporters force their way through an outer barrier of the U.S. Embassy in Baghdad and hold two days of violent protests in which they smash windows, set fires and hurl rocks over the inner walls. U.S. Marines guarding the facility respond with tear gas. An American contractor is killed. 100 Marines deploy from Kuwait to the Baghdad Embassy to bolster security. A battalion of U.S. troops from the 82nd Airborne deploy from North Carolina to the Middle East.

**January 2, 2020:** U.S. Secretary of Defense Esper states, “To Iran and its proxy militias: we will not accept continued attacks against our personnel & forces in the region. Attacks against us will be met with responses in the time, manner, & place of our choosing. We urge the Iranian regime to end malign activities.

   • Also on January 2, sources report the U.S. launched an unsuccessful attack on an important Quds Force leader in Yemen. Abdul Reza Shahlai is a Yemen-based financial backer and high-ranking member of Iran’s Quds Force. The covert U.S. attack was not revealed until several days later.

**January 3, 2020:** A U.S. airstrike near Baghdad’s international airport kills Gen. Qassem Soleimani, the leader of Iran’s elite Quds Force and the mastermind of its regional military interventions. Abu Mahdi al-Muhandis, leader of the Kata‘ib Hezbollah (KH) and a senior commander of Iran-backed militias in Iraq is also killed in the strike. Iran vows “harsh retaliation.” Trump says he ordered the targeted killing to prevent a major attack. Congressional leaders and close U.S. allies say they were not consulted on the strike, which many fear could ignite a war.

**January 4, 2020:** Two rockets hit Balad Air Bases near Baghdad. Two mortars also hit Baghdad’s Green zone. These attacks do not result in no casualties or damage.

**January 5, 2020:** Iran announces it will no longer abide by the nuclear deal and Iraq’s parliament holds a non-binding vote calling for the expulsion of all U.S. forces. Some 5,200 American troops are then based in Iraq to help prevent a resurgence of the Islamic State group. Trump vows to impose sanctions on Iraq if it expels U.S. troops.
• The anti-ISIS Coalition suspends operations against ISIS and halts training programs with the Iraqi military.

**January 6, 2020:** Iran attacks U.S facilities in two bases in Iraq in Erbil and Assad, housing U.S. forces. The U.S. states some 5,000 U.S. troops are still present in country. The Ayn al-Asad air base handles air operations. Erbil houses a U.S. Special Forces operational hub. The Iranian missile attack came on a day that began with thousands of Iranians taking to the streets for General Suleimani’s funeral procession, a public mourning marred by a deadly stampede, as millions of people flooded the streets of Kerman to witness the procession. The IRGC announced that, “The fierce revenge by the Revolutionary Guards has begun.” Iraqi military officials said that Iran had fired 22 missiles, and U.S. officials state that “It is clear that these missiles were launched from Iran.” Zarif tweets that “Iran took & concluded proportionate measures in self-defense…We do not seek escalation or war but will defend ourselves against any aggression.” The head of Iran’s emergency medical services claims 56 people had died and 213 were injured, the broadcaster IRIB reported on its website. No soldiers are directly killed or suffer fragmentation wounds, but some 109 soldiers suffer blast and concussion damage and at least 34 suffer Traumatic Brain Injury (TBI).

Descriptions of the attack differ. A spokesman for USCENTCOM said a total of 15 missiles were fired, with ten hitting the Ayn Al Asad airbase, one hitting the Erbil base, and four missiles failing to reach their target. U.S. Secretary of Defense, Mark Esper, later gave a similar estimate, saying 16 short-range missiles had been launched from three locations within Iran, with 11 striking Ayn al-Asad (instead of the prior estimate of 10) Other sources reported that two targeted Erbil: one was said to have hit Erbil International Airport and did not explode, the other landed about 20 miles west of Erbil.

According to the Iraqi military, 22 missiles were fired between 1:45 a.m. and 2:15 a.m. local, 17 toward Ayn Al Asad base and five at Erbil. According to U.S. troops at Al Asad, the first missiles landed at 1:34 a.m. and were followed by three more volleys, spaced out by more than 15 minutes each. The attack was over by 4:00 a.m. Iran’s Tasnim News Agency reported that the IRGC used Fateh 313 and Quiam ballistic missiles in the attack and claimed that U.S. forces failed to intercept them because they were equipped with cluster warheads (a claim without any technical credibility).

Work by Uzi Rubin indicates that the Quiam 2 (700 km range) and Fatah 313 (500 km range) missiles were used, with 11 missiles assigned to Al Asad, nine of which impacted, and 6 of which struck close to their probable target. Five were fired at Erbil – only one of which came close. While Iran may have given Iraq some warning, the missiles were clearly intended to high populated targets, and the attacks showed that Iranian missiles had the necessary precision. Their problem was reliability.

**That same day, an IRGC air defense unit, fearing a U.S. attack in response,** used a light surface-to-air missile to shoot down a B-737-800, which crashed shortly after takeoff from Tehran Imam International Airport, killing all 176 passengers on board. These included at least 130 Iranians. Iranian officials initially lied and said the plane crashed due to technical failures unrelated to the missile attacks. However, they refused to allow Boeing or U.S. aviation officials access to the aircraft black boxes On 11 January, after *The New York Times* obtained and published a video showing the moment the aircraft was actually hit by an Iranian missile Iran admitted to having shot down the plane due to human error, claiming their military mistook the
plane for a "hostile target". The fact the government had lied led to a wave of anti-government protests against the perceived cover-up, with some demanding that Khamenei resign.

**January 8, 2020:** A U.S. drone strike kills the Islamic Revolutionary Guards Corps (IRGC) Quds Force Commander Qassem Soleimani and Popular Mobilization Forces Deputy Commander Abu Mahdi al-Muhandis outside the Baghdad International Airport. According to President Trump, “Last week, we took decisive action to stop a ruthless terrorist from threatening American lives. At my direction, the United States military eliminated the world's top terrorist, Qasem Soleimani. As the head of the Quds Force, Soleimani was personally responsible for some of the absolutely worst atrocities.”

- **That same day as a response to Soleimani’s death,** the IRGC Aerospace Force launches 16 short-range ballistic missiles at the Ain Al Asad Airbase in Anbar and towards the U.S. consulate and Hariri Air Base in Arbil. The attack resulted in zero fatalities but caused 11 traumatic brain injuries among the U.S. forces stationed at Ain Al Asad Airbase.
- After President Trump’s speech on **January 8** when he announces “Iran appears to be standing down, which is a good thing for all parties concerned and a very good thing for the world. No American or Iraqi lives were lost because of the precautions taken, the dispersal of forces, and an early warning system that worked very well,” Iran also launches two rockets toward Baghdad’s Green Zone, and one rocket lands within 100 meters of the U.S. embassy.

**January 9, 2020:** One rocket lands near Balad Air Base, which hosts U.S. troops and equipment. No casualties or damage resulted from the attack, and no group claimed responsibility.

**January 12, 2020:** Eight Katyusha rockets target Balad Air Base and injure four Iraqi soldiers. No group claimed responsibility for this attack.

**January 14, 2020:** Five Katyusha rockets land near Camp Taji. No casualties or damage resulted from the attack, and no group claimed responsibility.

**January 20, 2020:** Three rockets fired from the Zafaraniyah neighborhood located just outside of Baghdad target the U.S. Embassy inside Baghdad’s Green Zone, and two of the rockets land within the Embassy’s outermost fence. The attack occurred during ongoing protests in Iraq.

**January 26, 2020:** Three mortars target the U.S. Embassy in Baghdad. One of the mortars strikes the Embassy cafeteria during dinner and wounds at least one American. The U.S. State Department commented, "We view last night's attack on the Embassy as an attempt to distract Iraqi and international attention away from the brutal suppression of peaceful Iraqi protesters by Iran and its proxies.”

**February 13, 2020:** A rocket fired from a Christian cemetery north of K1 military base and hits and open area on the base.

**February 16, 2020:** Three rockets fired toward the U.S. Embassy land outside the complex but cause no damage.

**March 2, 2020:** Two rockets fired from the Zayouna neighborhood land near the U.S. Embassy in Baghdad’s Green Zone but do not cause any damage.
March 5, 2020: Three rockets fired from the Zayouna neighborhood land near the U.S. Embassy in Baghdad’s Green Zone but do not cause any damage.

March 11-12, 2020: Two U.S. service members and a troop from a coalition partner nation were killed in an attack on Iraq’s Camp Taiji Base using unguided 107mm “Katusha” artillery rockets, evidently fired improvised truck-mounted launchers. About 30 rockets were fired at Taiji, a major base roughly 15 miles north of Baghdad. 12 to 18 rockets landed on the base, wounding 14 people, including five seriously, and causing some structural damage. A Defense Department official said that there were also about a dozen people were injured. Britain’s Ministry of Defense on Thursday confirmed the death of Lance Corporal Brodie Gillon, 26, a Reserve with the Scottish and North Irish Yeomanry. U.S. intelligence analysts believe that the Kataib Hezbollah militia was involved. At this point, the command reports that more than 109 Katyusha rockets had been launched at locations housing US troops in Iraq since October 2019, and 13 sets of attacks have been made on U.S. occupied bases in 2019.

This militia’s strategy often involves a mobile launcher, such as a truck, parked within several miles of one of several American bases and armed with a timed trigger set to fire in around 30 minutes. The timer gives the crew ample time to flee before the rockets launch. Articles indicate that the U.S. bases lack C-RAM defenses against such attacks, and other defense systems like Patriot missiles, which had previously been deployed to Afghanistan. There were most likely Iranian Fajr-1 rockets, which are copies of a Chinese rocket called the Type 63. At just over 4 inches in diameter and 4 feet long, the Fajr-1 weighs roughly 40 pounds and carries a 3- to 5-pound high-explosive warhead to a maximum range of about 5 miles. They do not need to be fired from special launchers; instead, they can be fired from a simple dirt ramp or a pile of rocks with nearly as much accuracy as they could from a purpose-built launcher.

March 12-13, 2020: U.S. launches retaliatory strikes targeting an Iranian-backed Shia militia group believed responsible for a rocket attack that killed and wounded American and British troops. The U.S. strikes five Katib Hezbollah bases and weapons facilities inside Iraq to “significantly degrade their ability to conduct future attacks against Operation Inherent Resolve (OIR) coalition forces.” These facilities stored weapons used to target U.S. and coalition troops, according to the Pentagon. The Defense Department said Thursday’s “defensive” strikes were “proportional” and a “direct response” to the threat of the Iranian backed groups operating in Iraq.” The United States will not tolerate attacks against our people, our interests, or our allies,” Secretary of Defense Mark Esper said in the release. “As we have demonstrated in recent months, we will take any action necessary to protect our forces in Iraq and the region.” The strikes were a partnered operation with the British, a U.S. official said.

March 14, 2020: Camp Taji was attacked by a barrage of 33 rockets fired from concealed launch pads hidden in an industrial garage in the Abu Adam area located north of Baghdad. The attack wounded three U.S. soldiers and two Iraqi Air defense personnel. Usbat al-Thaireen, a new Shia’ite militia calling for the departure of U.S. forces from Iraq, claimed responsibility.

March 16, 2020: Basmaya base, which houses the U.S.-led Coalition against ISIS and NATO forces, was attacked by two rockets launched from an agricultural area in Nahrawan. Usbat al-Thaireen claimed responsibility.

March 17, 2020: Two rockets launch from Baghdad Arab Jabur neighborhood toward the Jadriyah neighborhood. One rocket lands in the Tigris River, and the other hits an abandoned building just across the Tigris River from the U.S. Embassy.
March 18, 2020: The U.S. State Department on Wednesday announced new sanctions on Iran after the renewed rocket attacks by Iran-backed militias.

Secretary Pompeo stated, “Yesterday, the U.S. Department of State sanctioned nine entities and three individuals who have engaged in activity that could enable the Iranian regime’s violent behavior. The actions of these individuals and entities provide revenue to the regime that it may use to fund terror and other destabilizing activities, such as the recent rocket attacks on Iraqi and Coalition forces located at Camp Taji in Iraq. Our sanctions will deprive the regime of critical income from its petrochemical industry and further Iran’s economic and diplomatic isolation. The United States will continue to fully enforce our sanctions.”

March 19, 2020: U.S.-led coalition troops pull out of Iraq. Iraqi and coalition officials state that the withdrawal was part of a planned drawdown, and training activities were already suspended due to concerns about the coronavirus. Coalition forces withdrew from al-Qaim on the Iraq-Syria border. Further troop withdrawals are also planned in the coming weeks.

“The withdrawal was agreed between the Iraqi government and the coalition forces,” said Brig. Tahseen al-Khafaji, who was at a withdrawal ceremony. Another senior Iraqi military official said he expected the coalition to leave two bases in northern Iraq in the coming weeks, including Qayara south of Mosul and K1, in the province of Kirkuk.

March 23, 2020: U.S. and UAE forces hold a joint military exercise at Al-Hamra Military Base in the UAE. The military exercise is part of a biennial exercise called Native Fury. According to Brig. Gen. Thomas Savage f the 1st Marine Expeditionary Force, “We’re about stability in the region. So if they [Iran] view it as provocative, well, that’s up to them. This is just a normal training exercise for us.”

March 20, 2020: The U.S. Navy announced that aircraft carriers Dwight D. Eisenhower and Harry S. Truman, and their respective escorts, are operating with a B-52 bomber in the Arabian Sea to demonstrate “combined joint capability and interoperability to plan and conduct multi-task force operations in the U.S. Central Command area of responsibility.21

March 24, 2020: The U.S. Department of State adds Asaib Ahl al Haq, an Iranian-backed Iraqi Shia terror group also known as “League of the Righteous,” to its list of Foreign Terrorist Organizations. Additionally, the group’s leader, Qais al Khazali, and his brother, Laith al Khazali, have been listed as Specially Designated Global Terrorists.22

March 25, 2020: France withdraws military forces from Iraq amidst Coronavirus concerns. The chief of staff of the French armed forces said in a statement Wednesday night that France is suspending its anti-terrorism training operations in Iraq and also bringing home its Iraq-based troops involved in the U.S.-led coalition against the Islamic State group.23

March 26, 2020: The U.S. Treasury implemented more sanctions one day after the family of retired FBI agent Robert Levinson, who went missing more than a decade ago, said they believed he had died while in custody Iran.

U.S. Treasury Secretary Steven Mnuchin said in a statement, “Iran employs a web of front companies to fund terrorist groups across the region, siphoning resources away from the Iranian people and prioritizing terrorist proxies over the basic needs of its people. The United States maintains broad exceptions and authorizations for humanitarian aid including agriculture commodities, food, medicine, and medical devices to help the people of Iran combat the coronavirus.”

On March 17, 2020, Tehran asked the International Monetary Fund for $5bn in emergency funding to fight the outbreak.24

March 26, 2020: The U.S. military has handed over the Qayyarah Airfield West base, which is located just over 30 miles south of Mosul, Iraq.

“The Qayyarah base served as a strategic launching point for the ISF [Iraqi Security Forces] and Coalition during the Battle of Mosul. In particular, the base serves as a hub for the Iraqi air force, who continue to deliver lethal strikes on Daesh bed-down locations,” Army Brig. Gen. Vincent Barker, the OIR director of sustainment said in the release.25

March 26, 2020: Iraq's military on Thursday said at least two rockets hit inside Baghdad's heavily fortified Green Zone. The two projectiles struck near the Baghdad Operations Command, which coordinates Iraq's police and military forces, the military statement said. The command center is a few hundred meters (yards) away from the U.S. Embassy, which is a regular target of rocket attacks.26

March 26, 2020: The U.S. Embassy in Baghdad also said late Thursday that it had ordered nonessential personnel to leave Iraq, citing the security situation and travel restrictions relating to the coronavirus.27

March 27, 2020: The Pentagon orders a directive for planners to prepare a strategy to dismantle the militia group’s operations. The directive said that Iranian paramilitary forces – members of the IRGC – could be legitimate targets if they are located with the Kataib Hezbollah fighters.28
March 29, 2020: The U.S.-led coalition in Iraq withdrew from the K1 Air Base, the third military site that forces have left this month. Coalition forces handed over the K1 base in the northern Iraqi province of Kirkuk to Iraq's military, according to a coalition statement. At least $1.1 million of equipment was transferred to the Iraqis as 300 coalition personnel departed.

Withdrawals are planned “in the coming days” from two bases in western Iraq, said Col. Myles Caggins, a coalition spokesman. He said troops have so far been relocated to other bases in the country and some will head home in the coming weeks but did not specify how many. He said the two bases are the Nineveh Operations Command in Mosul — Iraq’s second-largest city and which was under the Islamic State group's control from 2014 until 2017 — and the Taqaddum military airport outside the city of Habaniya, on the Euphrates River.

March 30, 2020: Brig. Gen. Esmail Qaani, head of the elite Qods Force branch within Iran’s Islamic Revolutionary Guard Corps (IRGC), paid an unannounced visit to Iraq. He met with several senior officials and militia commanders during the brief trip, including Hadi al-Ameri (head of the Badr Organization), Ammar al-Hakim (leader of the National Wisdom Movement), and Mohammed Redha al-Sistani (son of Grand Ayatollah Ali al Sistani).

April 1, 2020: Saudi Arabia begins oil production increase. Their surprise announcement in March sent the price of oil down more than $20 percent, to around $35/barrel.

April 1, 2020: President Donald Trump warned Tehran that it should expect a bold U.S. response if Iran or Iranian-backed groups attack American forces or assets in Iraq. Trump said at an evening White House briefing that his administration has received intelligence that Iran is planning a strike but did not provide additional details.

April 1-7, 2020: Kata’ib Hezbollah demands full U.S. withdrawal from Iraq.

April 2, 2020: Iranian proxy militia Usbat al-Thaireen releases drone footage over U.S. Embassy in Baghdad. The video was followed by a statement saying the group was capable of launching rockets at the Embassy.


April 4, 2020: The U.S. handed over the al-Taqaddum Air Base to Iraqi forces on Saturday — it’s the fourth base to be handed over to Iraqi Security Forces over the last several weeks.

“These pre-planned base transfers are not related to recent attacks against Iraqi bases hosting Coalition troops, or the ongoing COVID-19 situation in Iraq,” Operation Inherent Resolve, said in a news release.

April 5, 2020: Iraq’s political elite reached agreement on an alternative PM, Iraqi National Intelligence Service Director Mustafa al-Kadhimi, who again may face opposition from Iran-backed groups as he navigates a difficult government formation process within a 30-day constitutional deadline.38

April 6, 2020: At least three rockets hit near the site of an American oil field service company in southern Iraq early on Monday. The rockets targeted the site of Halliburton in the Burjesia area in the oil-rich Basra province, the military statement said. Two Iraqi security officials and one official at the state-run Basra Oil Company said five rockets at struck the area.39

April 7, 2020: According to Secretary of State Mike Pompeo, the United States will hold talks with Iraq in June on the future of its troop presence in the country, whose parliament has voted to expel them.

"With the global COVID-19 pandemic raging and plummeting oil revenues threatening an Iraqi economic collapse, it's important that our two governments work together to stop any reversal of the gains we've made in our efforts to defeat ISIS and stabilize the country," Pompeo told reporters. All strategic issues between our two countries will be on the agenda, including the future presence of the United States forces in that country and how best to support an independent and sovereign Iraq," Pompeo said.40

April 9, 2020: Iraq’s President Barham Salih appoints intelligence chief Mustafa al-Kadhimi as prime minister-designate. He was nominatees hours after Adnan al-Zurfi withdrew his candidacy.41

April 13-18, 2020: Iraq resists Iranian pressure to reopen border closed to slow COVID-19. The head of Iran’s Hajj and Pilgrimage Organization, Ali Reza Rashidian, announced that “planning has begun to reopen to borders between Iraq and Iran.”

Iraqi officials issued a quick denial, stating, “Our land border crossings with Iran and Kuwait are completely closed for the movement of passengers and commercial exchange and this closing will continue until further notice,” said Alaa al-Deen al-Qaisi, the spokesman for the Iraqi Border Authority.42

April 14, 2020: Patriot missile launchers and two other short-range systems are now in place at al-Asad Air Base, where Iran carried out a massive ballistic missile attack against U.S. and coalition troops in January, and at the military base in Irbil, said officials, who spoke on condition of anonymity to discuss sensitive weapons movement. A short-range rocket defense system was installed at Camp Taji.

Gen. Mark Milley, chairman of the Joint Chiefs of Staff said Thursday, that because of that threat, hundreds of soldiers from the 1st Brigade, 82nd Airborne Division, remain in Iraq. He said only one battalion was allowed to return to Fort Bragg, N.C., “in part because the situation with the Shia militia groups and Iran has not 100 percent settled down.” He added that “they will continue their mission until such time that we think the threat has subsided.”43

April 15, 2020: 11 Islamic Revolutionary Guard Corps vessels harassed six U.S. warships operating in the north Persian Gulf, according to U.S. Naval Forces Central Command. NAVCENT said the Iranian ships “repeatedly crossed the bows and sterns of the U.S. vessels at extremely close range and high speeds” and even came within 50 yard “closest point of approach” of the Puller and 10 yards of Maui’s bow.44
April 19, 2020: Iran’s paramilitary Revolutionary Guard acknowledged Sunday it had a tense encounter with U.S. warships in the Persian Gulf last week but alleged without offering evidence that American forces sparked the incident. The Guard also accused American forces of blocking Iranian warships on April 6 and April 7 as well.45

April 20, 2020: Iran’s paramilitary Revolutionary Guard announced Monday that it has significantly upgraded the range of its anti-warship missiles, the state-run news agency reported. The Guard says it now possesses surface-to-surface and subsurface anti-warship missiles with a range as high as 700 kilometers (430 miles), according to its top naval officer, Adm. Ali Reza Tangsiri.46

April 22, 2020: President Donald Trump tweeted Wednesday that he has instructed the Navy to “destroy” any Iranian gunboats that harass American warships at sea.

Trump’s tweet comes in the wake of 11 Islamic Revolutionary Guard Corps vessels harassing six U.S. warships in the Persian Gulf on April 15.

“I have instructed the United States Navy to shoot down and destroy any and all Iranian gunboats if they harass our ships at sea,” Trump tweeted.47

April 22, 2020: The Islamic Revolutionary Gard Corps of Iran said it had put a military satellite into orbit for the first time. The launch of the satellite, which the Guard called “Noor,” or light, has not been independently confirmed.48
Dependency ratios are a measure of the age structure of a population. They relate the number of individuals that are likely to be economically "dependent" on the support of others. Dependency ratios contrast the ratio of youths (ages 0-14) and the elderly (ages 65+) to the number of those in the working-age group (ages 15-64). Changes in the dependency ratio provide an indication of potential social support requirements resulting from changes in population age structures. As fertility levels decline, the dependency ratio initially falls because the proportion of youths decreases while the proportion of the population of working age increases. As fertility levels continue to decline, dependency ratios eventually increase because the proportion of the population of working age starts to decline and the proportion of elderly persons continues to increase.


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“IMF says Mideast unemployment, debt expected to increase,” The Jordan Times, April 15, 2020; and IMF, Regional Economic Outlook: Middle East and Asia, April 13, 2020.

IMF, Regional Economic Outlook: Middle East and Asia, p. v-vi, 5-6, 8, April 13, 2020.

GNI per capita, Atlas method (current US$) GNI per capita (formerly GNP per capita) is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies, although an alternative rate is used when the official exchange rate is judged to diverge by an exceptionally large margin from the rate actually applied in international transactions. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank. This applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country.

There are a series of excellent studies of these issues and trends from a U.S. point of view by think tanks like the CSIS, AEI, WINEP, ISW, The Long War Journal, Heritage, and Brookings. All illustrate levels of complexity, and uncertainty in many aspects of the data available, that cannot be addressed in this paper. Similarly, there is a range such material from European and MENA think tanks. All illustrate levels of complexity, and uncertainty in many aspects of the data available, that cannot be addressed in this paper.

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Mark Mazzetti and Eric Schmitt, “Pentagon Order to Plan for Escalation in Iraq Meets Warning from Top Commander,” The New York Times, March 27, 2020,


