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The Challenges Facing Iraq in Late 2020

Iraq faces a range of complex and interrelated challenges across the political, socioeconomic, and security sectors. No one problem suggests a singular, digestible solution. Iraqi leaders often find themselves in a vicious circle in which declines in one sector generally undermine improvements in others. For example, a poor security situation equates to less opportunity for economic growth because businesses cannot operate without freedom of movement and sufficient confidence to stimulate investment. Lowered incomes resulting from a lack of business activity and employment decrease family resources. Poverty forces individuals to rely on broader family, clan, and tribal networks for basic needs, including security. Moreover, these conditions place women, as well as ethnic and religious minorities, at a disadvantage. Local self-reliance in the face of hardship reinforces informal bonds, but erodes government legitimacy. Lack of government legitimacy undermines security and business activities. Low oil prices and the pandemic compound all of these problems.

Untangling Iraq's challenges required an iterative workshop approach, alternating between breakout groups and plenary discussions. The dialogue's three working groups—political, socioeconomic, and security—identified the most pressing issues within their purviews. Several plenary sessions and writing groups brought these perspectives and proposals together to build the holistic approach represented in this report.

POLITICAL CHALLENGES

Iraq's political problems are largely structural, which many felt resulted from the 2006 election that solidified the *muhasassa* (ethno-sectarian political apportionment) system and the sectarian division of power it reinforces. Several participants recognized that while the *muhasassa* system may have been necessary to gain the participation of Iraq's various constituencies, it has outlived its purpose. Having said that, others felt that inclusion and representation of Iraq's ethno-sectarian diversity requires constitutional and other systemic guarantees, and that some kind of apportionment can be maintained without corrupt, partisan exploitation.

Replacing the *muhasassa* system will be difficult. Government structure reinforces the power of the Parliament—a body saddled with ethno-sectarian division—at the expense of the executive branch. As a result, Iraq's government is more majoritarian than democratic. Party leaders invested in gaining advantage for their constituencies through the

muhasassa system find it difficult to cross political divides and build unity. Put simply, the interests of Parliament do not always overlap with those of the government and the Iraqi people. Consequently, the prime minister (PM) and president are weakened, and often do not have the resources or backing to implement necessary reforms.

Parliament's power relative to the executive undermines the kinds of programs outlined in the 2020 White Paper and other government initiatives. Parliament can impose requirements on the government, and can prevent it from providing services or undertaking reforms that do not suit its interests. This situation makes Parliament essentially unaccountable. Those checks and balances that exist are ineffectual, and politicians routinely disregard them. Only Parliament can dissolve Parliament, which it has little incentive to do. Addressing Parliament's relationship with the rest of the Iraqi government and reforming its roles and responsibilities will be an essential part of any reform plan. Making matters worse, dissolution of provincial councils (PCs) has further set back Iraq's democracy. Elimination of the PCs removed another check on central-government—and, primarily, parliamentary—power. This move limited citizen participation in government and denied Iraqis a space to develop responsible, experienced political leadership.

While the protests that began in October of 2020 represented the best hope to motivate meaningful change, the number of people in the street has been decreasing, as the protests achieved only a few core demands, including forcing former Prime Minister Adil Abdul-Mahdi to resign. Even if the government were willing and able to respond to protestors' immediate demands, these responses might not be sufficient to reform Iraq's structural problems. Changes to Iraq's constitution need to include structural changes to the *muhasassa* system; otherwise, constitutional reform will likely be ineffective. Residual parallel decision-making structures will continue to undermine the government's ability to act and hold corrupt and violent actors accountable.

Addressing disenfranchisement in Iraq is a critical condition for political and communal progress. While reducing disenfranchisement among Iraq's ethno-sectarian minorities remains an elusive goal, it would be wrong to say there has not been improvement. A 2019 National Democracy Institute poll found that 63 percent of Iraqis say the effects of ethno-sectarianism are lessening, suggesting that Iraqi national identity is gaining strength. However, 64 percent of Iraqis in the same poll said that the country is more divided, though now over political allegiances and support for external parties



A general view of Tahrir square as demonstrators take part during ongoing anti-government protests in Baghdad, Iraq February 3, 2020.
Source: REUTERS/Wissam al-Okaili

such as Iran and the United States, rather than religious or ethnic identity.

As national unity gains strength, some communities are becoming more internally divided. A stark illustration of this dynamic was the collapse of already fragile Kurdish unity in the wake of the 2017 independence referendum. This collapse not only fractured relations between major parties in the Iraqi Kurdish regions, but also within the parties themselves.

Baghdad-Erbil disputes remain a formidable challenge for Iraq. There are, of course, many pretexts for disagreement between the federal government and the Kurdistan Regional Government (KRG), including revenue sharing, boundary disputes, budgetary allocations, representation, and security arrangements, to name only a few. The genesis of these disagreements, however, is the lack of trust and the perceived misalignment of interests between Baghdad and Erbil. From the Iraqi government's perspective, current Kurdish leadership will eventually move again toward independence, as it did in 2017. Thus, it makes little sense to grant concessions or invest in the region if doing so facilitates such a move.

The Kurdish community is, of course, not the only one fracturing in today's dire circumstances. Sunni and Shia Arab communities are divided, as are many of the less-represented minority groups in Iraq. Of course, it matters why communities split. When it is over things that undermine Iraq's recovery, such as malign external influences or eliminating corrupt practices, such fracturing may be necessary to break the status quo. However, these divisions must be addressed. Otherwise, they also create more space for malign external influences, making it harder to control subnational militias, as well as for Parliament to move forward with needed reforms.

Iraqi perceptions of external assistance are jaded by two decades of international inconsistency, a perceived connection between assistance and foreign meddling, and by Iraqis overlooking the distinctions, in value and purpose, between military and civil aid. Uneven distribution of international support across Iraq has exacerbated perceptions of unfairness. Skepticism of US and European roles in Iraq—along with latent and now-growing distrust of Iran—has created a sense of isolation among Iraqis, and generally unfavorable attitudes toward any external actors. Many Iraqis, including growing numbers of Shia Arabs,

consider Iranian influence malign. However, the animosity that Iranian influence engenders is also directed at other external actors, including Iraq's Western partners and its neighbors in the Arab world. Iraq's partners need to expand upon, and better differentiate, the kind of support they provide in order for current efforts to be effective.

SOCIOECONOMIC CHALLENGES

Socioeconomic barriers to Iraqi growth are considerable and, as of early 2021, worsening. Investment regulations and procedures are muddled, corrupt, and inefficient. As a result, foreign investors have little confidence in the Iraqi system. Investors have little incentive to invest in the development of Iraq's infrastructure, businesses, or emerging markets. In effect, Iraq is leaving money on the table due to its administrative failures and bureaucratic barriers to investment.

Oil prices are likely to remain relatively low compared to Iraqi budget-planning assumptions. At \$50 a barrel, the Iraqi government can barely cover salaries and pensions, much less fund new economic initiatives. Making matters worse, there is a great deal of government waste, largely due to corruption and inefficiency.

Oil subsidies drain government effectiveness and capacity to adapt. Currently, the government subsidizes seven hundred thousand barrels daily for internal use. This costs the government about \$7.5 billion annually. Iraq's inability to collect payments on electricity bills represents another \$10-billion loss.

Universities are unevenly staffed, and too often fail to uphold academic standards that might benefit their students. In turn, young Iraqis who receive university educations find very few opportunities to employ their degrees. Public-sector opportunities for university graduates are inadequate. Approximately seven hundred thousand youth enter the job market each year, including 180,000 university graduates, while estimates place the youth unemployment rate at around 36 percent.

High rates of unemployment and underemployment will persist without government legislation and other efforts to build a private sector. Currently, there are approximately 4.5 million people employed in the public sector, excluding those employed by the KRG. With the data from the KRG included, the number of persons employed by the government is closer to 7.5 million. This is widely recognized as unsustainable. Even for government workers, salary payments can be inconsistent. In some cases, and particularly in the security services, officials sometimes pay salaries out of their own pockets. This situation creates a vacuum that other groups, including those sponsored by external actors, can exploit.



People are silhouetted as flames emerge from flare stacks at Nahr Bin Umar oil field, north of Basra, Iraq September 16, 2019. Source: REUTERS/ Essam Al-Sudani

These conditions explain, in no small part, why Iraqis refuse to pay taxes, electricity bills, or other fees that might help alleviate Iraq's ballooning debt. The average Iraqi does not see benefits from taxes. The government has divested bill collecting to private companies, while maintaining responsibility for providing electricity. However, the private collectors cannot collect taxes, which only compounds the government's existing failure to provide consistent electricity.

Limited government programs dedicated to reconciliation—a term that has now taken on considerable baggage and is perhaps no longer useful in Iraq—have not assuaged perceptions of political, social, or economic disenfranchisement across Iraq's heterogeneous polity. Continuing failure to address perceptions of disenfranchisement is likely to fuel continual periods of instability and slow any progress toward government legitimacy.

Slow and inefficient judicial processes harm perceptions of government legitimacy. It takes months, or even years, to have a case heard and resolved in an Iraqi court. This undermines faith in the legal system and in the government, and it stalls both civil and business development. A sluggish and sometimes corrupt judiciary undermines confidence in the Iraqi system, and contributes to the fears of prospective capital investors.

Millions of internally displaced persons (IDP) wish to return to their homes. But, in many cases, their homes and neighborhoods have been destroyed in the fight against the Islamic State of Iraq and al-Sham (ISIS). Reconstruction efforts have been uneven, and are generally underfunded. The government does not appear to have an agreed-upon,

holistic plan to address the interconnected social integration that affects IDP and return or urban reconstruction.

Iraq also has a youth-bulge problem: approximately 60 percent of Iraq's population is under the age of twenty-five. Many of these young Iraqis are unemployed, or at least *underengaged*, meaning that they are often impoverished, bored, and resentful. Many have been traumatized by nearly constant warfare. Years of conflict have significantly diminished educational opportunities, making many Iraqis unemployable even in trades, due to their lack of skills. There are likely not enough skilled Iraqis to take on technical jobs, should the need for these jobs increase.

SECURITY CHALLENGES

While Iraq's security forces have made great progress against ISIS, the terrorist group continues to operate and destabilize parts of the country. Armed Iran-backed militias also contribute to the unstable security situation, by engaging in criminal activities and attacking US troops housed on Iraqi bases. Some of these groups practice extortion and blackmail, and they periodically attack people and communities whom they feel oppose them. Iraqi government actions and external military assistance have, so far, been inadequate to fully resolve these concerns.

Iranian meddling and Iraqi partisanship, coupled with poor communication capabilities on the part of the United States and its partners, have muddled the status of International Coalition Forces (ICF). Debate about the status of these forces is heavily politicized, preventing an open, honest, and transparent public discussion on the role of international security support. On one hand, pro-ICF narratives hold that its only mission is to support Iraqi forces in countering the Islamic State. The counter-narrative does not trust that the ICF mission is limited and, thus, demands a full withdrawal. A

full withdrawal raises concerns that it would lead to a much-emboldened ISIS, as well as an expansion of Iranian and Iran-backed militia operations directed against perceived opponents in Iraq. This unclear, politicized debate diverts focus from improving the capabilities of the security forces.

This environment has made discussion about steps to improve Iraqi Security Force (ISF) capabilities political, rather than practical. The long-term presence of foreign security forces has not been sufficiently justified to Iraqi Parliament, which makes the issue of military assistance more provocative than it needs to be.

The convergence of interests between corrupt military leaders and politicians creates additional obstacles to improvement. Such obstacles include multiple chains of command, confused roles and responsibilities, lack of cooperation between security services, and groups that are nominally part of the security establishment but do not report to the prime minister. As a result, security-sector reform cannot be too hasty or driven by external parties, as that could create a backlash. Change needs to be gradual and realistic.

SOME PROGRESS AND THE SEEDS OF HOPE

In the face of all these challenges, Iraqi leaders have still made some progress. The ISF drove ISIS from territory it seized in 2014. Iraq's economy was improving, albeit at a modest and fragile pace, just prior to the dramatic oil-price reduction amid the COVID-19 pandemic. Iraq's relations with neighbors, including Saudi Arabia and Kuwait, have improved significantly. Despite low turnout and reported irregularities, Iraq's 2018 elections witnessed some political parties emphasizing their ability and willingness to transcend ethno-sectarianism. In fact, Iraqi society as a whole seems to be moving toward a nationalist mood that deemphasizes ethno-sectarian identity and emphasizes equal citizenship.