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Strategic Dialogue: Shaping the Iraqi-U.S. Relationship

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The New Strategic Dialogue: Shaping the Iraqi-U.S. Relationship

Anthony H. Cordesman

The Burke Chair at CSIS is issuing an updated revised version of its analysis of the political/governance, economic, and security challenges that Iraq faces in creating a lasting strategic relationship with the United States. This new version has been developed to explore the full range of issues that affect Iraqi security and stability.

It focuses on the issues that shape the need to create a new strategic relationship between Iraq and the United States.

Drawing on Progress in the Iraqi-U.S. Strategic Dialogue

Secretary Pompeo's raised the need for such a new relationship in his announcement on April 7, 2020 that the United States would hold a strategic dialogue with the Iraqi government in mid-June, 2020. His 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 first round of this Iraqi and U.S strategic dialogue that took place on June 11, 2020. It was held via video teleconferencing between Iraqi officials – led by Senior Under Secretary of the Ministry of Foreign Affairs Abdul Karim Hashem Mostafa – and U.S. officials – led by U.S. Under Secretary of State for Political Affairs David Hale.

The result led to progress in several important ways. The dialogue took place because Iraq now has a functioning government that focuses on both security and reform. It addressed key immediate security issues like the near-term role of U.S. forces in aiding Iraq in the fight against ISIS and the threat to U.S. advisors and forces in Iraq posed by pro-Iranian Popular Mobilization Forces (PMFs).

However, the dialogue also addressed Iraq's broader strategic problems –ones that are ultimately far more important to its security and stability. These included the critical need for reforms in its economy, politics, governance, and security forces to meet the needs of its people and achieve lasting stability. The dialogue also made it clear that the role of the United States was to help Iraq become a strong and fully sovereign state, and that the U.S. did not “request permanent bases or a permanent military presence in Iraq.”

The governments of the Republic of Iraq and United States issued the following statement after this meeting:¹

The delegation of the Republic of Iraq, led by Senior Under Secretary of the Ministry of Foreign Affairs Abdul-Karim Hashim Mostafa, and the delegation of the United States Government, led by Under Secretary of State for Political Affairs David Hale, held Strategic Dialogue discussions via video teleconference today, in accordance with the 2008 Strategic Framework Agreement for a Relationship of Friendship and

Cooperation between the United States of America and the Republic of Iraq. The discussions covered security and counterterrorism, economics and energy, political issues, and cultural relations.

The two countries reaffirmed the principles agreed upon by the two sides in the Strategic Framework Agreement (SFA), as well as the principles in the exchange of diplomatic notes and the letters of the Republic of Iraq to the United Nations Security Council dated 25 June 2014 (S/2014/440) and 20 September 2014 [S/2014/691] respectively. The United States reaffirmed its respect for Iraq's sovereignty, territorial integrity, and relevant decisions of the Iraqi legislative and executive authorities.

On economic and energy issues, the two countries recognized the enormous economic challenges facing Iraq in light of the two crises of the COVID-19 pandemic and the decline in oil prices, and on the need for Iraq to enact fundamental economic reforms. The United States discussed providing economic advisors to work directly with the Government of Iraq to help advance international support for Iraq's reform efforts, including from the international financial institutions in connection with firm plans to enact fundamental economic reforms. The two governments discussed the potential for investment projects involving world-class U.S. firms in the energy and other sectors, provided that business conditions are favorable.

On political issues, the United States of America expressed its solidarity with the Republic of Iraq, not only through close bilateral cooperation on the security and political levels, but also through its support for Iraq and the new Iraqi government. The two nations reiterated the importance of assisting Iraq in implementing its governmental program and reforms in a manner that reflects the aspirations of the Iraqi people, including carrying out humanitarian efforts, restoring stability, rebuilding the country, and organizing free, fair and credible elections. The United States, with its international partners, emphasized its continued support for Iraq's electoral preparations, efforts to strengthen rule of law, human rights, and the return and reintegration of displaced people, especially the smaller components of Iraqi society that were targeted for genocide by ISIS.

On the security partnership, the two countries recognized that in light of significant progress towards eliminating the ISIS threat, over the coming months the U.S. would continue reducing forces from Iraq and discuss with the Government of Iraq the status of remaining forces as both countries turn their focus towards developing a bilateral security relationship based on strong mutual interests. The United States reiterated that it does not seek nor request permanent bases or a permanent military presence in Iraq, as previously agreed to in the 2008 SFA which provides for security cooperation to be undertaken on the basis of mutual agreement. The Government of Iraq committed to protecting the military personnel of the International Coalition and the Iraqi facilities hosting them consistent with international law and the specific arrangements for their presence as will be decided upon by the two countries.

On the cultural front, the two governments discussed plans to return important political archives to the Government of Iraq and efforts to increase the capabilities of Iraqi universities. The two sides also discussed plans to return artifacts and the Baath Party archives to Iraq.

The two sides reaffirmed the importance of the strategic relationship and their determination to take appropriate steps to enhance it in the interest of both countries and to achieve security, stability, and prosperity in the region. The United States Government welcomed the opportunity to reaffirm and strengthen its partnership with Iraq as Prime Minister Mustafa al-Kadhimi begins his term in office. The two governments look forward to in-depth discussions of the above issues at a Strategic Dialogue Higher Coordination Committee meeting in Washington, D.C., likely in July.

Iraq and the United States confirmed that a follow-up meeting would be held in Washington in July 2020, and that Iraq's new Prime Minister Mustafa al-Kadhimi would travel to Washington. The meeting would address focus on the most immediate issue affecting the Iraqi-U.S. relationship: the status and role of U.S. troops in Iraq. However, both senior Iraqi and U.S. officials made it clear that they would seek to find lasting ways in which the U.S. could assist Iraqi security forces and help Iraq develop its economy.

The Broader Focus of this Analysis

This update does address the impact of current security issues like the rise in ISIS attacks and the threat posed by Iran and Iranian-backed Iraqi Popular Mobilization Forces (PMFs). However, its principal focus is the longer-term structural problems and trends that shape Iraq's underlying problems. These are challenges that Iraq and the U.S. must begin to address in their upcoming July strategic dialogue and the years to come. This analysis draws upon a wide range of official sources and outside experts to show that Iraq desperately needs to improve the quality of its governance and deal with a level of corruption and sectarian and ethnic divisions that pose as many threats as extremist groups like ISIS.

It describes the depth of Iraq's long-term economic crises and need for economic reforms that will affect every aspect of its economy and that will also pose critical challenges to Iraq's unity and stability. At the same time, it updates previous analyses to show the impact of the Coronavirus and the massive cuts in world oil prices and Iraq's oil revenues.

It looks beyond near-term security issues to show that Iraq's security problems and need for an effective rule of law require further major changes in its security forces and justice system. Iraq also needs to rebuild its security forces to a level where it can deter and defend against outside threats from neighbors like Iran and Turkey to fully protect its sovereignty.

Dealing with Iraq's "Ghosts" as well as Its Present

Setting the right goals for a U.S.-Iraqi strategic dialogue – and for a more lasting joint effort to create a stable strategic relationship – has been a challenge for Iraq and the United States since at least the fall of the Shah of Iran in 1979, and Iraq's invasion of Iran in 1980 – a period that has now reached four decades.

The failure of previous efforts has shown that addressing Iraq's broader needs is a critical step in creating some form of lasting U.S.-Iraqi strategic relationship: One that will counter extremism in Iraq, contain Iran, and encourage regional stability and security. Iraq and the United States must address the cumulative impact of the three critical structural problems in Iraq's current position.

These are problems that have taken decades to evolve and made the country fundamentally unstable, but they have generally received limited high-level attention and even less successful action. The result has been to create three major set of enduring problems in Iraq that have made them the equivalent of Iraq's strategic "ghosts."

- *The first such set of "ghosts" shapes the underlying structure of Iraqi politics and governance.* Serious as the immediate tensions and divisions within Iraqi politics have become, the Iraqi government does not provide a clear path to effective leadership, and it is dysfunctional and corrupt at every level. Iraqi politics are deeply divided, and these divisions reflect deep and growing failures. This must change if Iraq is to emerge as a stable and secure state.
- *The second set of "ghosts" shapes the Iraqi economy.* Iraq now faces massive structural problems in economics that its current economy is in 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. It 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 set of "ghosts" shapes Iraq's level of "security."* One part of this problem: sectarian conflict and extremism – has been the center of U.S. strategic attention since the invasion of Kuwait and the ISIS invasion of Iraq in 2013, which have led to almost continuous fighting from 2005 to 2010 and from 2013 to today. For all the effort the U.S. and Iraqi governments have devoted to this issue, however, Iraqi security forces still lack the capability to stand alone in order to deter and defend against potential threats like Iran. Iraq's divided security forces are still haunted by the past rather than moving towards a clear future.

A meaningful strategic dialogue between Iraq and the United States must look well beyond the immediate security challenges from ISIS, Iran, and pro-Iranian Popular Mobilization Forces. It must address all three of these sets of issues – or "ghosts" – and understand that it will take years to properly address each one.

Such a strategic dialogue must also recognize that Iraq must find its own answers to dealing with many of these challenges, and the United States cannot help an Iraq that cannot unite or act to the point where it can help itself. This is particularly true in a world being reshaped by the Coronavirus crisis, so many other failures in government and development, and so many other humanitarian crises. It is a world where limited aid resources must go to the nations that can use them effectively and not be wasted on simply buying limited help for a limited time in nations that cannot.

At the same time, such a dialogue requires the United States to 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 to act independently of Iranian pressure and threats. There are no quick answers or solutions to creating such a stable security relationship for either Iraq or the United States. Real progress will take consistent effort over at least half a decade, and the plans, pledges, and political spin will be no substitute for real progress.

Methodology and Sources

This report provides a broad historical perspective regarding the evolution of Iraq's political governance, economic, and security challenges, as well as a series of detailed quantitative analyses of the key political, governance, economic, and military issues involved. It draws heavily on Iraqi and U.S. government reporting from that of international institutions like the UN, IMF, and World Bank.

It also relies on a range of NGOs, private research centers, and media reports. Specifically, the report uses official U.S. reporting on Iraq's current security challenges from Iraqi sources and from reporting by U.S. and Iraq official spokespersons, Iraqi officials, the Lead Inspector General's *Quarterly Reports* to the U.S. Congress, and various briefing by the State Department, Department of Defense, and U.S. Central Command.²

Where possible, the study supports these analyses with graphs, tables, and charts. It address major conflicts and uncertainties in these data, and key issues and trends in such data that Iraq and the U.S. must address if their dialogue is to be successful.

This draft also reflects a wide range of comments upon the earlier drafts from a variety of outside experts, and from a number of Iraqis following an Internet conference moderated by Munqith

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.

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Creating a Strategic Dialogue with a Missing or “Ghost” Government

Any lasting strategic relationship must be based on relations between effective and stable governments. This is still a major challenge for Iraq. When the U.S. and Iraq held their strategic dialogue in June 2020, Iraq’s government had only begun to emerge from a long series of crises. Iraqi politics – and Iraq’s structure of governance – had been shaped by wars and mistakes that haunted the nation’s efforts to move forward. From at least 1979 to 2003, Iraq was crippled by aggressive authoritarianism. After 2003, Iraq lacked proven and effective leaders, its politics were crippled by ethnic and sectarian divisions, and its government was shaped by corruption and self-serving factions.

As is shown later in **Chart One**, Iraq’s overall level of governance has long been rated as one of the worst in the world. Both Iraqi politics and the basic structure of its government has long faced major structural problems, and they have suffered from permeating levels of corruption. The long periods of fighting since 2005 have limited the popular demonstrations and discontent, but the sharp reduction in the fighting against ISIS has made the presence of this discontent all too clear.

There are good reasons why there have been angry popular demonstrations in Iraq since 2019, and why Iraqis do not trust their leaders or political system. The problems that have created these demonstration have had a major impact on the strategic dialogue between Iraq and the United States. Both Iraq and the United States will face major challenges in creating an effective strategic relationship that go far beyond issues like the remaining threat from ISIS and pressure from Iran and pro-Iranian Popular Mobilization Forces.

Iraq’s Long-Standing Need for Effective Political Leaders, Unity, and Development

Iraq has faced many challenges since it was founded following the break-up of the Turkish empire after World War I, and has never had a truly stable national government since its founding. It has faced major challenges ethnic and sectarian challenges since its founding. A British mandate from March 1917 to 1921 failed in face of Iraqi nationalism. Britain then established a monarchy, with Hashemite leadership from outside Iraq. This monarchy ended in a bloody coup on July 14, 1958.

Iraq emerged from the Turkish Empire as a small agricultural state with limited development. Oil had first been discovered in 1912, but was so cheap until 1973 that it had only a minor impact on the country’s development. The British did, however, see Iraq as both a major defensive barrier for the its empire in India and as a major source of fuel for its navy. It helped turn the Turkish Petroleum Company into the Iraqi Petroleum Company, which acted as a de facto monopoly under foreign control until 1952, Iraq did not nationalize its oil industry until 1961.

Iraq then underwent a decade of military leadership and faced both the challenge of the Arab-Israeli conflicts and a Kurdish revolt that began in 1963, and continued at various levels until 1970. This struggle never fully ended. A second Kurdish War took place from 1973 to 1976, and a Kurdish revolt began after the start of the Iran-Iraq War in 1980 that laid the foundation of the Kurdish regional government that emerged after the First Gulf War in 1990-1991.

Iraq only began to receive a critical part of its revenues from oil after 1973, and did not experience a major degree of “oil wealth” until the Shah’s fall again raised oil prices in 1979. It was only in the 1950s that it began to focus on economic modernization, and that focus initially was on industrialization rather than petroleum.

Iraq briefly came under the rule of the Arab Ba'ath Party in 1966, only to have a new military coup take place that same year. The Arab defeat in the Arab-Israel War in 1967 helped the Ba'ath regain power in 1968, and Ahmed Hassan al-Bakr. Saddam Hussein emerged as major leader during this largely authoritarian government, and seized full power in 1979 – a seizure followed by a bloody purge of his competitors. He then attempted to take advantage of Iraq's revolution and the fall of the Shah by invading Iran in 1980.

Saddam Hussein's ruthless authoritarianism and aggression led Iraq to near disaster between 1979 to 2003 – a period nearly a quarter of a century long. However, Iraq's post-Saddam politics and governance has generally been only marginally better. Former Prime Minister Maliki was a key example. He served from 2006 to 2014, and he had initially created some hope that he would focus on unifying the country. However, Maliki attempted to keep power after the U.S. military withdrew from Iraq in 2011 by backing Shi'ite factions at the expense of national unity by replacing many of the most competent leaders of Iraq's military and security services with figures who were loyal to him, but incapable of effective military leadership.

Maliki's actions alienated many of Iraq's Sunnis after 2011. By 2013, Sunni versus sectarian violence had risen back to the levels it had reached in 2008. This led to popular uprisings and demonstrations against the military and police in Western Iraq, which made this largely Sunni area critically vulnerable to full-scale ISIS invasion in 2014. Maliki also failed to fully integrate the Kurds into his government and deal with the other dimensions of Iraq's key sectarian and ethnic differences. ISIS exploited these tensions and launched a full-scale invasion in 2014. The Iraqi Army and security forces in Western Iraq virtually collapsed, allowing ISIS to take key portions of the area, seize Mosul, and reached the western approaches to Baghdad.

Maliki was replaced as Prime Minister by a weak coalition government under Haider al-Abadi and then Adil Abdul-Mahdi. Both were moderate and potentially capable leaders, but neither could create strong enough coalitions to take advantage of the gradual defeat of ISIS and the break-up of its "caliphate" from 2014 to May 2019. However, neither leader could get enough support to effectively implement political and economic reforms that could unite the country, reduce sectarian and ethnic divisions to functional levels, and rebuild the central government security forces in ways that ended the de facto divisions between them, the Kurd Forces, and the existence of Popular Mobilization Forces tied to other leaders and Iran.

Iraq also could not rebuild its own security forces to deal with ISIS. It had to rely in part on the creation of largely sectarian Popular Mobilization Forces (PMFs), and its main key to success was outside military aid. Iraq only defeated ISIS because the U.S. and other members of the Coalition took the lead in rebuilding Iraqi forces; supporting Syrian Kurdish and Arab forces in the fight against ISIS; and providing the air power and intelligence, surveillance, and reconnaissance (IS&R) capabilities to support Iraqi regular forces that made this victory possible.

While Iraqi and Coalition forces eventually broke up the ISIS caliphate in Western Iraq, the economic situation deteriorated steadily, and Mahdi began to face steadily larger and more violent popular demonstrations and anger even in Shi'ite areas. This led to Mahdi's resignation on November 29, 2019.

After this resignation, Iraq did not even have a functioning prime minister. Two failed attempts were made to create a new Prime Minister. One of the figures who failed to become prime minister – Adnan al-Zuri – 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 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.

There are many media and NGO reports that describe the collapse of the Iraqi government during this period, but U.S. official sources provide insights that are particularly striking, given the natural reluctance of such officials to publicly criticize a friendly government.³ The Lead Inspector General (LIG)'s *Quarterly Report* to the United States Congress for the first quarter of 2020 describes the problems that Iraq has recently faced in creating an effective government as follows:⁴

The spread of COVID-19 and ongoing tension between the United States and Iran exacerbated Iraq's fragile political situation, which has been in turmoil since mass anti-government protests began in October 2019. That led to the November resignation of Iraq's prime minister, who continued in a caretaker role. Since then, Iraq has been unable to form a new government despite the nomination of two prime minister candidates. As of April 30, a third nominee, Iraqi intelligence chief Mustafa al Kadhimi, had not formed a government. The political impasse has led to uncertainty over the future of the OIR mission and the status of U.S. and Coalition forces in Iraq, according to analysts, due in large part to efforts by political factions in Iraq who seek to evict U.S. forces from the country.

According to DoS cables, anti-government protests continued throughout the quarter, often with violent results. In an early February cable, the DoS reported on violent clashes between militiamen loyal to Shia cleric Moqtada al Sadr and protesters in Baghdad and throughout most Shia-majority southern provinces. By early March, as reported in another DoS cable, crowd sizes estimated by the Iraqi government had dropped to the lowest levels since the protests began due to fear of contracting COVID-19 and also due to violence from Sadr's supporters, among other factors.

...Since the resignation of Prime Minister Adil Abd al Mahdi on November 29, 2019, Iraq has been unable to form a new government. Abd al Mahdi stepped down in response to massive anti-government protests that kicked off at the beginning of October, protests that were met with a violent response from the ISF and Iranian-aligned militias...

Iraqi President Barham Salih named Intelligence Chief Mustafa al Kadhimi as prime minister-designate on April 9, the third person tapped to lead Iraq in 10 weeks as the country struggled to replace its government that fell in November after months of deadly public protests. Al Kadhimi, if confirmed, will face numerous challenges—decades of sanctions, war, political unrest, and a growing outbreak of COVID-19—that have gone unaddressed by the caretaker cabinet since Prime Minister Abd al Mahdi's resignation...During a televised speech following his nomination, al Kadhimi stated his key objectives for his government will be to fight corruption and return displaced people back home. He also said that firearms should only be in the government's hands...

Al Kadhimi was nominated after the previous prime minister-designate, Adnan al Zurfi, announced he was withdrawing, having failed to secure enough support in Parliament to form a new government... Al Zurfi's candidacy was in jeopardy when key Shia political parties rallied around Mustafa al Kadhimi to replace him. His chances further diminished when the main Kurdish and Sunni political blocs withdrew their support...Al Zurfi would have had until April 17 to form a cabinet and obtain ratification of it with a minimum of 165 votes in parliament...His major opposition came from Hadi al Ameri's Fatah bloc; however, it was never certain whether the other Shia political blocs—Sairoon, State of Law, and Hikma—would vote to confirm his government.

Al Zurfi was preceded by Tawfiq Allawi, whom President Salih named on February 1, after months of negotiation among the major Shia political decision makers, who arrived at his name after eliminating alternatives who were viewed as too closely aligned with one party or another, according to the DoS. However, without Sunni and Kurdish support, and due to the reluctance by some of his Shia backers to

attempt forming a government without the buy-in of those components and the protesters, Allawi failed to muster enough support to form a government and withdrew his candidacy.

Any candidate to be Prime Minister, according to Iraq observers, must have approval from Iraq's Shia, Kurdish, and Sunni communities—as well as from Iran and the United States. Media reported that ministers, political rivals, and even the United Nations' representative in Iraq attended Al Kadhimi's nomination ceremony, indicating widespread support for Al Kadhimi that neither of the previous prime minister-designates had enjoyed...

There has been real progress since that time. Kadhimi and a cabinet that included some key technocrats were confirmed on May 6, 2020, although it took some time to confirm his entire government. An article in *Al Jazeera* in mid-May 2020 noted that,⁵

...al-Kadhimi's ascent to the premiership has not been a smooth ride. By the time he finally addressed parliament on Thursday, it was only after a long and complicated process of backdoor negotiations with Iraq's various political blocs and party leaders... The rival factions had refused to agree on al-Kadhimi's proposed names, forcing him to change his candidate lists at least three times ahead of the vote. Still, some blocs boycotted the May 7 session that ran more than three hours behind schedule because of last-minute consultations in parliament's cafeteria.

But al-Kadhimi, 53, began his term, albeit without a full government. Five of his 20 candidates were rejected and two key posts - ministers of oil and foreign relations - remained empty... Filling these ministerial posts, however, is far from al-Kadhimi's only challenge. The former journalist came to power amid three major crises: plunging oil prices that have caused a steep budget deficit and potential economic catastrophe; the coronavirus pandemic that Iraq's fragile healthcare system has struggled to cope with; and strong popular protests that returned to the streets after a short lull because of COVID-19-related curfews.

... The most immediate challenge facing al-Kadhimi appears to be the resumption of mass anti-government demonstrations in the capital, Baghdad, and several other cities especially in Iraq's south, including Nasiriya, Basra, Al-Kut and Diwaniya.

Since Saturday, hundreds of demonstrators marched back to the streets and tried to occupy bridges and public squares as they called for better living conditions and a complete overhaul of the political system. In Basra, protesters went further, demanding the removal of the oil-rich province's governor, Assad al-Eidani.

Kadhimi was able to complete his 22-minister cabinet on June 6, 2020.⁶ He also has succeeded in bringing in some key new ministers and advisors, including an expert oil minister. He has appointed new and stronger Minister of Defense (Juma Saadoun al-Jubouri) and Minister of Interior (Othman al-Ghanmi), and is altering Iraq's command structure to place more effective commanders. Most new ministers are not clearly aligned with Iraq's more divisive factions. The only previous minister is one loyal to the Kurdish leader, Massoud Barzani.

Kadhimi has succeeded in holding the “virtual” strategic dialogue discussed earlier, and he has done so in spite of a legislative resolution that U.S. forces should leave and of pro-Iranian demands that all U.S. forces should leave Iraq. So far, he has also pursued the right priorities. Kadhimi has at least touched on the need for reforms in Iraq's legislature and electoral process. He has frankly admitted Iraq's current level of corruption and faced the need to reduce it.

He also took the lead in visiting the war-torn Sunni areas in Western Iraq that have been devastated by the fight against the ISIS “caliphate.”⁷ He has increased the level of dialogue with the Kurdish Regional Government (KRG), and he has made a commitment to a further strategic dialogue with the U.S. in July.

He has openly and repeatedly acknowledged the depth of Iraq's economic crisis, and his cabinet has begun to address some of Iraq's key investments and its Coronavirus priorities.⁸ He has also made it clear that Iraq's security forces still need major modernization and restructuring.⁹

This, however, is only the beginning. Kadhimi still faces major changes in forging new levels of unity, integrity, and effectiveness at every level of political and governance – as well as in economic reform and creating an effective security structure and rule of law. It is far from clear that he will have enough sustained support from enough of Iraq's divided political leaders to keep moving forward, be able to act decisively enough to make a critical difference, and to get broad enough support from Iraq's people.

He also has faced a major challenge from one of Iraq's Sunni-back Shiite Popular Mobilization Forces. Kadhimi launched an Iraqi Special Forces raid on Kataib Hezbollah in on June 26, 2020 that led to the arrest of 14 of its members for planning an attack on Baghdad's international zone. The end result was that gunmen in trucks entered the Green Zone in Baghdad, force the release of most of those arrested, and Kataib Hezbollah then publicly celebrated their "liberation."¹⁰

A press article noted that, "Television stations linked to the militias live-streamed the men burning American flags and stamping on photographs of Kadhimi's face." The other PMF's did not support Kataib Hezbollah, there were no immediate rocket attacks on U.S. or government forces, and the end result was something of an impasse. However, the incident made it all too clear that the issue remained critical.¹¹

Iran's Continuing Opposition to a U.S. Role in Iraq

External actors like Iran represent a political threat as well as a security threat. Iran continues to pose major problems for Iraq and for any strategic relationship with the United States. Meanwhile, Turkey continues to intervene in Kurdish areas in Northern Iraq, and Syria remains a highly unstable mess on Iraq's western border.¹² The Kurdish issue is a critical challenge both inside and outside Iraq. Iraq still has a largely independent Kurdish Regional Government (KRG), and it must deal with Popular Mobilization Forces that remain independent in spite of the fact that they supposedly report to the Prime Minister and have links to the central government security forces.¹³

It is Iran, however, that presents a critical of a political and gray area challenge to Iraq's governance development and full sovereignty – and to a functional Iraqi strategic relationship with the United States – as it does a military one. Iran may have tolerated Kadhimi's confirmation, but it has put major political pressure on Iraq to keep importing gas and electricity for the next two years in the face of U.S. sanctions on Iran, and trade with Iraq on favorable terms.

Iran's toleration of the Kadhimi government's ability to act independently is still uncertain, it is dependent in part on Iran's current focus on its own internal problems, and it does not officially extend to an Iraq that shares a strategic relationship with the United States. Some experts do believe that Iran will not directly confront the U.S. over such a relationship. They feel the mix of popular violence and the Iraqi demonstrations against Iran, and furthermore, the impact of the Coronavirus crisis and global petroleum crisis on Iran may have created so much pressure on Iran's political leaders that they will accept an Iraqi leader that keeps security ties to the United States *if this makes Iraq more stable and does not threaten Iran*.

However, many other experts feel that Kadhimi could soon face many of the same paralyzing problems in trying to balance sectarian and ethnic factions as his immediate predecessors, as well as pressure from Iran, plus those from Turkey and Syria. Iran is certainly unpopular with many Iraqi Shi'ites as well as Sunnis and Kurds, but Iran still has a major religious and economic presence in Iraq as well as the support of some major Shi'ite factions and Popular Mobilization Forces (PMFs).

There is no way to determine which view will ultimately prove correct, but the issue makes any near-term U.S. and Iraqi security dialogue problematic – particularly given the fact that ISIS remains a threat and both pro-Iranian and other factions of the Popular Mobilization Forces continue to call for the United States to withdraw all forces from Iraq.

There are strong indicators that Iran sees Mustafa al-Kadhimi as too pro-U.S. by Iran and for having too strong sets of U.S. endorsements. The U.S. first publicly expressed this support for al-Kadhimi shortly after his selection. U.S. Secretary of State Mike Pompeo said on April 13, 2020 that, “We welcome that Shiite, 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.” Pompeo did, however, stress the need for a working agreement among Iraq’s Shiite, 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.¹⁴

Iran did not actively oppose Kadhimi at the time of his appointment. 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, 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.

Iran’s top leadership acted far more decisively a week later. Iran’s Supreme Leader, the Grand Ayatollah Khamenei, made it clear on May 17, 2020 that he was not prepared to tolerate a continued U.S. presence in Iraq. Khamenei stated that the U.S. “will not be staying either in Iraq or Syria and must withdraw and will certainly be expelled... Even the leaders of some of America’s allies... abhor American statesmen and government, do not trust them and are indifferent towards them (because of) warmongering, helping notorious governments, training terrorists, unconditional support for the Zionist regime’s increasing oppression and their recent awful management of the Coronavirus.”¹⁵

Khamenei repeated these themes in a speech quoted in the *Tehran Times* several days later, stating that,¹⁶

“The long-term actions of the United States have caused the government of this country to be hated in a large part of the world. These actions include war mongering, helping notorious governments, advocating terrorism, supporting oppression wholeheartedly, and the like. Of course, the Americans cannot stay for long in Iraq or Syria, and they will be expelled... The United States openly says that it has deployed its forces in Syria because there is oil there. Of course, they [the U.S. forces] will not stay for long either in Iraq or in Syria. They will certainly have to leave those countries, and they will definitely be expelled... Of course, hatred of the United States is not confined to this. The long-term actions of the United States, including carrying out massacres and various crimes, showing injustice, supporting terrorism, helping despotic and

notorious governments, unconditionally supporting the increasingly oppressive actions of the Zionist regime, and more recently, their deplorable handling of the coronavirus pandemic are other reasons why the United States is hated.”

Iran has since taken this position consistently at its highest levels, and it has formed a government that reflects a recent legislative election that was manipulated to reject most “moderate” candidates. A report by the *Atlantic Council* notes that,¹⁷

Only candidates qualified by the Guardian Council—a vetting body of six clerics appointed by Supreme Leader Ayatollah Ali Khamenei and six jurists appointed indirectly by him—could run for parliament. More than 15,000 people applied. Of that number, 7,296 were disqualified from running; 7,148 candidates competed for 290 seats across 31 provinces. As a result, there was no serious reformist contender in the majority of the seats leaving conservatives to compete with one another...Based on official results from the Interior Ministry, there was a [turnout](#) of 42.57 percent. A total of 24,512,404 took part in the elections. Of that number, 48 percent were women and 52 percent were men. This parliamentary election had the lowest official turnout in the history of the Islamic Republic.

There was also a military side to these election results. Mohammad Baqer Qalibaf, a former commander of the IRGC and sharp critic of Iran’s President Hassan Rouhani, is the new speaker of its *Majlis*. A report by Rasanah – the Iranian International Institute for Iranian studies – reports that two-thirds of Iran’s new Parliament are current or former members of the IRGC and the Basij forces. In the previous Parliament, there were only around 15 IRGC members. The new Parliament also has at least 9 brigadiers and 18 commanders, indicating that the IRGC could control the legislative branch.¹⁸

More broadly, the new parliament or *Majlis* has far more hardline members that support the Supreme leader and Islamic Revolutionary Guards Corps, support confrontation with the United States, and support Iran’s growing rejection of the JCPOA nuclear agreements in favor of the return to the production of more highly enriched uranium and long-range missiles and strike systems.¹⁹

Barring a complete reversal in the position of Iran, pro-Iranian Iraq Shi’ites, and many other Iraqis that question America’s role in Iran since 2003, Iran will continue to be a major force opposing a continuing U.S. role in Iraq.

Factionalism versus National Interest

And yet, Iraq's most serious security threat remains Iraq itself. Many Iraqis deny the depth and impact of Iraq's deep ethnic and sectarian factionalism. In fact, it is grim reality that poses a continuing challenge that cannot be solved by denial and pretending that these problems do not exist. Iraq may now have a Kurdish president, a Shi'ite Arab prime minister, and a Sunni Speaker of the *Majlis*, but its ethnic and sectarian differences are the key reason it still does not have a full government, an effective legislature, or stable and effective political leaders and officials at lower and local levels of government.

Kadhimi – and any other leader of a united Iraq – must deal with tensions between Arab Sunni and Shi'ites at every level, the divisions between Iraq Arabs and Kurds, and the sharp divisions within each of these bloc – tensions which are compounded by major regional and local differences, many past broken promises and agreements, and self-seeking factional leaders who usually have a long history of corruption.

As for the Iraqi parliament, even when it meets, it has often met largely to quarrel over how to divide the spoils of office or in uncertain efforts to reach some kind of modus vivendi between rival factions, rather than meet the nation's needs. It is a body of self-seeking factions – deeply divided along sectarian and ethnic lines and with some factions with close links to Iran – that is elected by nationalists and does not really represent any given local constituency.

Iraq does have many competent technocrats and officials who seek real progress, but its politics prevent its government from addressing critical issues like vital economic reforms, making the justice system more effective and less corrupt, rebuilding the security forces, recovering in the Sunni regions that are facing the aftermath from the fight against ISIS, and full reintegrating Iraqi Kurds.

Unifying a Country Whose Politics Reflect More than Half a Century of Sectarian and Ethnic Divisions

It is hard to put these ethnic and sectarian divisions into full perspective. Polls do consistently show that most Iraqi Arabs still value their national identity as Iraqis, as well as many Iraqi Kurds. At the same time, Iraqis have a tendency to understate the importance of the sectarian tensions between Arab Sunnis and Arab Shi'ites, and between Iraqi Arab and Iraq Kurds. This is partly the result of the fact that few Iraqis had access to the level of internal security efforts to control and repress Arab Shi'ites and Kurdish dissidents during the time of Saddam Hussein, but there also is a tendency to understate the problem where possible.

There are no reliable data on the exact size of Iraq's major ethnic and sectarian divisions, but it is clear that they run very deep. There are no recent census data to use in order to accurately measure these divisions, but efforts to map these divisions within Iraq date back decades and do little to reflect Iraq's population growth, urbanization, and the impact from years of fighting. The CIA estimate is dated but is probably still as good as any now available – given the lack of a real census. The Agency guesstimates that Iraq is “Arab 75-80%, Kurdish 15-20%, other 5% (includes Turkmen, Yezidi, Shabak, Kaka'i, Bedouin, Romani, Assyrian, Circassian, Sabaeen-Mandaeen, Persian)” – even though the Agency states that such data are a “1987 government estimate; no more recent reliable numbers are available.”²⁰

Similarly, CIA estimates may be broadly correct in indicating that Iraq's sectarian structure is "Muslim (official) 95-98% (Shia 64-69%, Sunni 29-34%), Christian 1% (includes Catholic, Orthodox, Protestant, Assyrian Church of the East), and other 1-4%." It should be noted, however, these estimates date back to 2015, and that the U.S. State Department has made separate estimates that some 70% of Iraq's smaller sectarian minorities have left the country since 2003.

So far, no Iraqi government has been able to fully cope with the divisions between Kurds and Arabs that occurred after the first Gulf War or from the reversal of power from a Sunni Arab to a Shi'ite Arab dominated state that occurred after the fall of Saddam Hussein in 2003. Iraq's most immediate security challenges may be the surviving elements of ISIS and from the Shi'ite Popular Mobilization Forces with ties to Iran.

Once again, however, "ghosts" matter. In many ways, today's tensions are the product of the ethnic and sectarian divisions within Iraq that date back to its founding after World War I. The British established an Iraqi monarchy with foreign Arab Sunni leadership in a country with a large Arab Shi'ite majority and Kurdish elements that had sought independence as part of a larger Kurdish nation. This only led to sporadic and limited violence until the 1960s.

The fall of the Iraqi monarchy on July 14, 1958 did not broaden Iraq's Sunni Arab-dominated base of power, but it did lead to a long series of competing warlords and then a Ba'ath takeover that led to the rise of Saddam Hussein. It also has some impact in triggering a Kurdish revolution called the First Iraqi-Kurdish War or the Barzani revolt that lasted from 1960 through 1970. This revolution was led by forces led by the elder Barzani –and only lasted briefly as it had enough forces to pose a regional threat to the Iran government. It was, however, covertly supported by the Shah of Iran as well as by the United States. It also led to a limited autonomy agreement for the Kurds, and Iranian and U.S. covert support of the Kurds did not fully end until Iraq agreed to the terms of the Algiers Accord over the Shatt-al-Arab which was signed in 1975.

The Fall of the Shah in 1979 – and the Iran-Iraq War that lasted from 1980-1988 – led to new sectarian and ethnic fighting when Iraq's offensive failed and Iran officially went on the offensive in 1983. Kurdish and Arab Shi'ite resistance movements became growing problems, and Saddam Hussein's Arab-Sunni regime grew steadily more violent and repressive in dealing with both Kurdish resistance in the northern Iraq and Shi'ite Arab resistance in the southeast. This led to fighting that lasted until Iraq forced Iran to agree to a cease fire in the summer of 1988. The ceasefire with Iran then allowed Saddam to largely defeat the small remaining Kurdish and Arab Shi'ite resistance movements.

Saddam Hussein then invaded Kuwait in 1990. This invasion ended in a massive military defeat by the U.S-Saudi led coalition in 1991, and Saddam's apparent weakness triggered serious popular Arab Shi'ite and Kurdish uprisings. Saddam Hussein used artillery, troops, and attack helicopters to quickly suppress the Arab Shi'ite uprisings in the South, and then used them against the Kurds – only to be later blocked by the U.S.

The end result was that the Kurds were able to create a Kurdish Regional Government in 1992 that was protected by the United States until the U.S. invaded Iraq in 2003, but Iraqi Shi'ite Arabs faced even more stringent security measures. In contrast, Iraqi Sunni Arabs saw a steady increase in government privileges, and investment in the Sunni-dominated western areas in Iraq like Mosul.

The U.S. invasion in 2003 that toppled Saddam Hussein and the Ba'ath Party, gave the Kurds in the KRG regions in the north almost total autonomy as well as the ability to take control of Iraq's

northern oil fields and some Arab areas – a situation partly altered by an agreement in 2017, but one that has never been fully or consistently implemented.

The impact in Arab-dominated areas, however, was to give Shi'ite Arab dominant power, which led to “De-Ba’athification” purges of the government and military that went far beyond just supporters of Saddam Hussein. This helped to trigger a major round of sectarian and ethnic fighting from 2005 through 2010 – which ended largely because the Arab Sunni extremist faction became so violent and repressive that it triggered the creation of a major Sunni resistance force called the “Sons of Iraq.” The resulting victory helped lead to the withdrawal of U.S. combat troops in 2011 – only to have Prime Minister Maliki create a new round of tension and fighting between Sunni and Shi'ite.

Iraqi nationalism has survived all of these tensions and sporadic outbreaks of violence to date. The end result, however, is still serious ethnic and sectarian tensions. It is compounded by tensions over how petroleum revenues and territory are allocated between Arabs and Kurds, continuing pressure on budgets and privileges by Arab Shi'ites at the expense of Arab Sunnis, and particularly by the failure of past governments to help Sunni areas in the West recover from the damage done by the fighting against ISIS. Moreover, the allocation of petroleum revenues outside the largely Shi'ite-dominated petroleum areas in the Southeast has led to Arab Sunni versus Arab Shi'ite tensions as well.

Whatever momentum existed towards unity after the break-up of the ISIS “caliphate” has been severely cut 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. These are the areas where the “ghosts” of Iraq make progress particularly critical.

The “Ghosts” of War and Political Instability and Their Impact on Iraq’s Politics, Governance, Budgets, and Economics

Iraq’s politics, governance, economy, and search for security and stability must deal with additional internal ghosts that are – at the least – a serious set of problems. As the previous analysis has already shown, Iraq has only had limited periods of stable civil governance and economic development since the fall of its monarchy in 1958. The precious outline of Iraq’s internal and external conflicts show it fought a low-level war against its Kurds from 1960 to 1970. It engaged in the October War in 1973, and then it enjoyed a brief period of exceptional oil wealth after the fall of the Shah in 1979 – that led to massive investments in key state industries that never became highly productive but led to massive increases in the cost of their employees.

In 1980, Iraq invaded Iran. Instead of annexing part of Iran’s southwestern oil fields, it was pushed onto the defensive in 1983 and was effectively bankrupt by 1984 – surviving only because of massive loans from its Arab neighbors. It had less than a year to recover after the ceasefire in 1988, when it then invaded Kuwait on August 2, 1990, to gain new economic assets and avoid repayment of its Gulf War debts.

The end result was the First Gulf War in 1991, the liberation of Kuwait on February 28, 1991, and a devastating defeat of Iraq. As noted earlier, Saddam Hussein’s regime was able to put down major popular uprisings in the South, but it lost most of the Kurdish areas in its North to what became the Kurdish Regional Government (KRG). As a result, Iraq has not had a fully unified national economy, budget, or government since 1992 – a period of nearly 28 years.

Moreover, the UN Security Council imposed a financial trade embargo on Iraq on August 6, 1990, four days after Iraq invaded Kuwait. These stayed in force until May 22, 2003 – a date that came after the U.S. led invasion of Iraq drove Saddam from power but still forced Iraq to continue to pay reparations to Kuwait. They also led the central government to seriously distort the operations of the agricultural, industrial, and service sectors – often with highly negative results. The government’s misallocation of crop, seed, and fertilizer in the agricultural sector; employment of government-funded labor in non-productive state industries; spending on the military and security services; funding a network of new palaces; and the over-development of the wrong types of canals are cases in point.

As has been discussed earlier, the U.S.-led invasion of Iraq in 2003 made things far worse in spite of major U.S. and Allied aid efforts. It triggered a major new war against Sunni extremist forces tied to Al Qaeda from 2005-2009, and it further distorted the economy while inflicting a new round of wartime damage.

Iraq then created a new row of tensions between its sectarian and ethnic factions that led to a major invasion by ISIS and a new war from December 2013 to the present that gave ISIS peak gains in June 2014 and that have also left significant remnants of ISIS fighters in spite of the defeat of its “caliphate.” This fighting created a massive new level of wartime damage and humanitarian suffering in the Sunni areas in western Iraq, helped delay any full settlement of the Kurdish issue, and led Iraq to spend some 10% of its GDP on security forces, which made any stable approach to budgeting and economic development impossible.

As is the case with Iraq’s ethnic and sectarian divisions, most Iraqis and some Iraqi analysts have little knowledge or memory of the full chain of these events. Iraq’s median age is only a little over 20 years of age and most Iraqis have been born during a time where the country not only had little stability but also little time to focus on anything other than its immediate crises.

Nevertheless, these particular “ghosts” did far more than exacerbate ethnic and sectarian differences. They left Iraq without stable governance, budgets, or economic development plans for well over half a century before the Coronavirus and petroleum export crisis became a critical problem in 2020, and they interacted with other conflicts in regions involving Syria and Turkey.

They also left it a divided country with Shi’ite Arab zones, Sunni Arab zones, mixed zones, and a separate Kurdish Regional Government. While this analysis focuses on Iraq as a single country, Iraqi Kurdistan not only is still semi-autonomous, but it is experiencing a popular demand to decentralize its current structure after ineffectively dealing with the crises caused by both the Coronavirus and declining oil prices.

The Kurdistan Regional Government (KRG) has in the past been led by two main parties, the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). However, the emergence of the more powerful KDP has produced – much like the Iraqi central government – an inefficient and divided KRG, with outdated procedures, such as ministries refusing to accept digital copies and instead only accepting documents handed in person.

Demography and Political Instability

It is also critical to understand the level of demographic changes that occurred during this long period. The U.S. Census Bureau International Database indicates that Iraq had a population of only 6.9 million in 1960. This population rose to 18,208 million by the time Iraq invaded Kuwait in 1990 – 2.6 times higher. It rose to 38.9 million in 2020 – 5.7 times the figure in 1960.²¹

This rise led to massive increases in the need for infrastructure, water, housing, and jobs, and it also led to an equally massive shift out of the agricultural sectors into urban areas. Any estimate of this shift has to be a guesstimate, but the CIA *World Factbook* estimates that Iraq reached a level of urbanization of 70.9% in 2020, and it estimates that the urbanization level has risen by 3.09% a year since 2015. Looking at the limited data involved, Iraq probably was still well under 30% urbanization in 1960. This would have given it a maximum urbanized population of only 2.1 million in 1960 vs. 27.6 million today.²²

Budgets and Economics that Cripple Politics, and Politics that Cripple Budgets and Economics

The cumulative impact of these political “ghosts” also make the challenges posed by the Coronavirus and Iraq’s petroleum crises even greater. At a basic level, they combine and leave Iraq with far too few funds for recovery, development, and growth if Iraq is to meet its people’s needs. The *LIG Quarterly Report* again provides an official estimate of just how serious the new impacts of the Coronavirus and petroleum crisis are likely to be,²³

During the quarter, Iraq was hit with a mix of shocks, including COVID-19, halved oil prices, popular unrest, and ongoing militia violence. The country has been operating without a 2020 budget, limiting the ministries to monthly allocations based on the 2019 budget. Without increased revenues, Iraq will be unable to fund payments to the ministries after April...

A Middle East analyst reported that the twin shocks of the effect of COVID-19 on the world economy and the current oil price war would stress Iraq’s budget to the limit. While the shocks were not foreseeable, the Iraqi budget structure imbalance would have inevitably led to an economic crisis. The budget imbalance projects revenues not covering current spending, which is mostly composed of salaries, pensions, and welfare spending, totaling 85 percent of current spending. While oil revenues make up 90 percent of government revenues, 25 percent of “non-oil” income is oil related in the form of taxes on foreign oil companies and the government’s share from profits from the state’s oil companies...

According to the aforementioned analysis, the default solution for the Iraqi government would be to cancel all non-oil investment spending and resort to borrowing, explained the Middle East analyst. These measures would only postpone but not resolve the economic crisis. Under this solution, the Iraqi government would continue to function; however, it would not be able to provide reliable electricity, potable water, and sanitary sewage treatment demanded by the reform protesters. Overdue and necessary rebuilding of communities damaged by the fight to expel ISIS would be delayed further...

The DoS reported to the DoS OIG that efforts to draft a 2020 budget have been set back by earlier unrealistic oil price and production assumptions. The previous draft budget priced oil at \$56 per barrel, with 3.88 million barrels per day average export. However, during the quarter, Iraq’s oil prices dropped below \$30 per barrel. According to the DoS, Iraqi officials were considering revising the 2020 oil revenue assumptions to about \$30 per barrel, with 3.6 million barrels per day export, which would generate revenue of \$3.24 billion per month. However, officials reported that Iraq is spending \$4 billion per month for operational expenses limited to employee compensation, primarily salaries for federal and KRG government employees and state-owned enterprise employees, as well as pensions, and social welfare. Under the revised oil price and production assumptions, the Iraqi government would be unable to fund payments past April...

The DoS informed the DoS OIG that should then Prime Minister-designate Adnan al Zurfi fail to form a government by the April 17 deadline, an advisory committee of senior Iraqi economic officials was considering sending the revised draft budget to the Parliament without the endorsement of caretaker Prime Minister Abd al Mahdi, who maintains he lacks authority to transmit the budget. Alternative strategies include having President Barham Salih or the Prime Minister's economic committee send the revised budget to the parliament. The advisory committee took no action following al Zurfi's withdrawal and Barham Salih's nomination of Mustafa al Kadhim as Prime Minister-designate on April 9...

They also indicate that they already had a direct impact on the central government's ability to govern,²⁴

With global oil prices plummeting, Iraq experienced worsening economic conditions this quarter...The country has been operating without a 2020 budget, and according to the DoS, without increased revenues, the government will be unable to fund payments to its ministries after April. According to one Middle East analyst, the twin shocks of the effect of the COVID-19 pandemic on the world economy and the oil price war initiated by Saudi Arabia and Russia will stress Iraq's budget to the limit. Analysts also stated that various proposed solutions would likely postpone the economic crisis, but not resolve it. These include halting investments to rebuild war-torn northern provinces, expanding oil production capacity, delaying settlement of foreign debt, and halting payments to investors in the electricity sector.

There is no way to predict these twin shocks, but the indicators as of late June 2020 were not good. Iraq's efforts to control COVID-19 were proving to be less successful than the government had originally reported, and any major sustained recovery of oil export revenues remained highly uncertain.

Iraq's Lack of Effective Governance and Corruption at Every Level Are Additional Key Problems

Corruption is still another critical problem, and this time can be found in every level of governance. As has been mentioned earlier, **Chart One** shows that Iraq has one of the worst rated and most ineffective governments in the world according to a World Bank ranking based on a range of sources and key aspects of governance.

Iraq has had a dismally low percentile rank of governance compared to most other states in all six of the Bank's categories from 1996 to 2018. This period covers the rule of Saddam Hussein through the U.S. invasion in 2003, and well over a decade of sovereign rule and Iraqi attempts to create a successful democracy. With the possible exception of "voice and accountability" – Iraq still had 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 in 2019 or 2020 to date.

The World Bank is scarcely the only source for such estimates of the Iraqi government. Iraq ranked as the 18th most corrupt country in the world according to *Transparency International's* most recent rank in 2019. The Lead Inspector General's *Report to Congress for January 1, 2020-March 31, 2020* describes Iraq's problems with corruption as follows:²⁵

Iraqi government corruption is one of the primary reasons that protesters took to the streets in October. Despite a slight improvement in its corruption score in 2019, Iraq continues to rank in the bottom 10 percent of countries evaluated in Transparency International's annual Corruption Perceptions Index.

The DoS told DoS OIG that it encourages "Iraqi officials to investigate and prosecute corruption cases." Such encouragement, and technical assistance to support such efforts, have been a staple of U.S. policy since the days of the Coalition Provisional Authority, according to the Special Inspector for Iraq Reconstruction's final report. However, despite the efforts, corruption continues to plague the country. In 2007, a senior Iraqi judge

testified before the U.S. Congress that cases could not be brought against senior officials without the approval of the Prime Minister.

Iraq's reputation for corruption hinders economic growth and foreign investment in Iraq and is a contributing factor to its low ranking in the World Bank's Ease of Doing Business 2020 report (ranked 172 of 190 countries). The World Bank signed a memorandum of understanding with the Minister of Finance in October 2019 that calls for reforms to improve Iraq's business environment. According to the DoS, a new government is needed to advance this work.

The DoS told the DoS OIG that Iraqi officials frequently engage in corrupt practices with impunity, which is a significant impediment to improving public services and restoring essential services in conflict-affected and liberated areas, which would necessarily increase the likelihood of instability and violence. When asked about efforts made to address corruption, the DoS reported that among other steps, USAID worked on procurement reform and developing standard bidding documents for public tenders that reduce opportunities for corruption.

On January 1, 2020, the caretaker prime minister had a high-profile meeting with what he said would be a revived High Council for Combatting Corruption, which had, however, held some meetings in 2018, according to press reports. With the revival, however, one Iraqi parliamentarian from the Sairoon bloc, whose components made anti-corruption one of their themes, said that the council would fail because "political leaders who are involved in corruption and who will not allow the implementation of any solutions in this regard." A Baghdad-based think tank's researcher noted that in 2007 a similar entity was established; it was "revived" in 2015, after a wave of anti-corruption demonstrations, and is the predecessor of the new entity.

According to the DoS, over the years, a related body, the Commission of Integrity, investigated several high-profile cases, filed more than 4,783 corruption cases, and issued more than 857 arrest warrants. There were 442 convictions, including 3 ministers and 27 senior officials, although the names of those convicted remained anonymous. The commission's biannual report stated that the law allowed amnesty for more than 986 convicted persons upon repaying money they had obtained by corruption. On May 9, 2019, the head of the commission, Hassan al Yassiri, submitted his resignation on the grounds that the authorities had only addressed a small number of the cases that it had referred to them.

Explaining the persistence of corruption in Iraq, an Iraqi scholar has described a melding of "political" and "grand" corruption, calling it "corruption protection," a systematic attempt among corrupt agents seeking to evade accountability for primary corruption activity by preventing perpetrators of corruption from being brought to justice. The scholar also argued that despite the apparent strength of the anti-corruption framework, the multiple institutions established to fight corruption and the system of accountability can also constitute a means for "corruption protection."

As is shown shortly, Iraqi public opinion polls – and the slogans used in many in Iraq's popular demonstrations against its government – make it clear that the Iraqi people share these views. The Iraqi government lacks popular support and trust on many issues from national to local levels. Some of the recent patterns in violence also indicate that Iraq's 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.

It is also important to point out that "corruption" has a broader meaning in states like Iraq than may be initially apparent. Polls in the Arab world and much of the developing world, show that perceptions of corruption often are a key factor in shaping broad popular protests against given governments, and that it is often far safer and easier to express opposition to "corruption" than the leadership of repressive and authoritarian states.

Corruption is also more visible than other forms of failure in governance, affect more people more directly, and is perceived as a critical barrier to employment and promotion based on merit. It also seems to cut across sectarian and ethnic divisions. Much of the polling involved is private, but in

most cases, all officials, politicians, courts, and law enforcement officials tend to be seen as corrupt, not just those of an opposing or different faction.

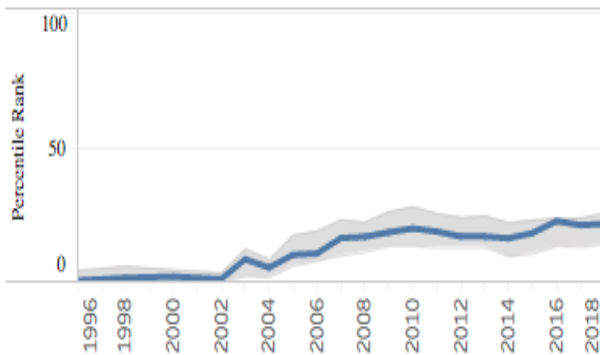
The end result is a set of clear warnings that Iraq's external and internal challenges and its deep ethnic and sectarian divisions are coupled to a threat from self-seeking politicians that leave Iraq crippled by favoritism and high levels of corruption. These problems make Iraq more vulnerable to outside pressure from states like Iran as well as lead to mass popular demonstrations and anger both between and within given factions. Iraq cannot deal with its divisions and instability as a near kleptocracy. Like many other developing countries, it must come firmly to grips with corruption as every level and not rely on anti-corruption legislation that is not enforced or anti-corruption efforts in a government that either does not function or simply finds a few scapegoats. Proper accounting, contracting controls, public transparency, whistleblower rewards, and public outing and punishment need to be a key aspect of governance – as do proper wages and job security.

At the same time, such levels of corruption are a clear warning that aid donors like the U.S. need to be ruthless in making aid conditional on the removal of corrupt officials and on full accountability. This is as true of humanitarian aid as other forms of aid. The fight against corruption is critical to both effective governance and the success of any strategic relationship, and virtually every aid effort that has lacked such conditionality has been crippled by waste, fraud, and abuse. Similarly, every recipient country promise of anticorruption drives and prosecution has failed. Donor conditionality is critical, and in cases like Iraq, it should include the public outing of corrupt Iraq officials, contractors, and businessmen by donors; and the denial of visas to such officials and their families.

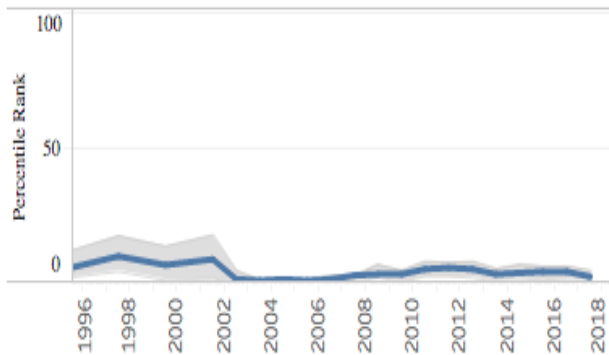
Chart One: Iraq's Failed Levels of Governance at Every Level of World Bank Assessment: 1996-2018

Iraq

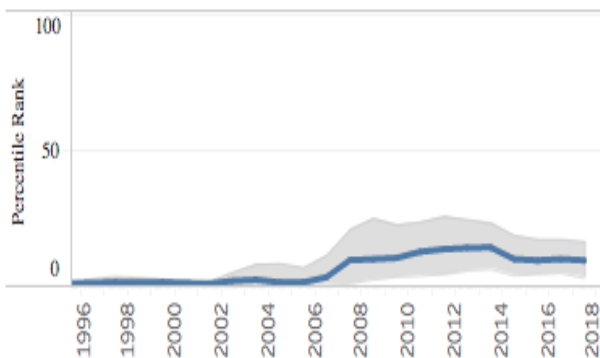
Voice and Accountability



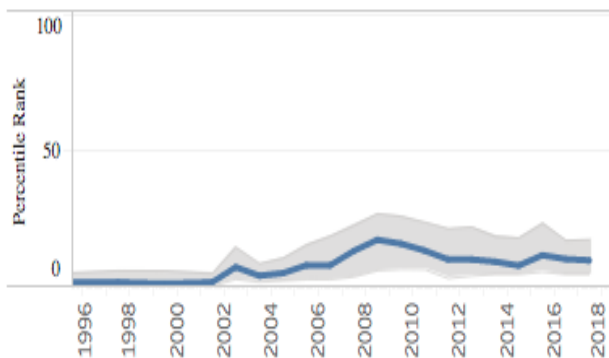
Political Stability and Absence of Violence/Terrorism



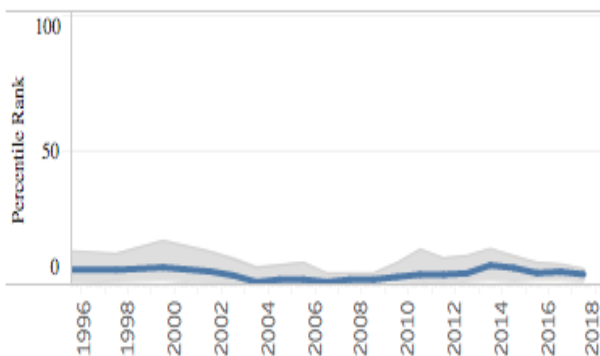
Government Effectiveness



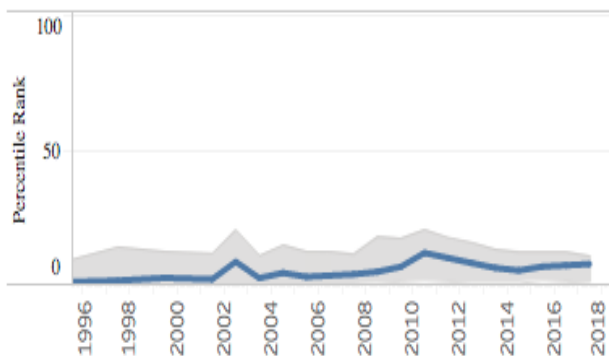
Regulatory Quality



Rule of Law



Control of Corruption



Source: World Bank, *Worldwide Governance Indicators*, <http://info.worldbank.org/governance/wgi/Home/Reports>

Politics, Governance, Public Opinion Polls, and Losing the Trust of the Iraqi People

There is nothing theoretical about the human impact of these political and governance problems. An article in the *Washington Post* by Munqith Dagher, the Chairman of the Al Mustakilla Research Group (IIACSS) and 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 broader national distrust of virtually all political leaders and factions:²⁶

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.

Recent polls by Munqith Dagher and the Al Mustakilla Research Group (IIACSS) show that the Iraqi public takes corruption and Iraq's failures in governance and politics very seriously. The results of recent IIACSS polls that shows the extent to which Iraqi governments have won or lost the trust of their peoples are shown in **Chart Two** and **Chart Three**, as well as in later charts in this analysis that reflect Iraqi popular attitudes towards the economy and national security. The research for these polls was conducted between mid-January 2020 and March 5, 2020. The total sample was 3000 interviews, using a random probability proportional to population (PPS) face to face interviews. The margin of error was $\pm 3.5\%$ with a confidence level of 95%.

Chart Two shows the result of polls on national unity and faith in democracy. **Chart Three** shows the result of polls on political freedom. These results show that the Iraqi people still believe Iraq should be united as a nation, but they have uncertain faith in democracy, the central government, and the Iraqi Council of Representatives (COR). They also show that Iraqis have only uncertain faith in the level of freedom that the government now provides.

Other poll results shown later in this analysis display same levels of popular lack of faith in the government's economic policies, its security efforts, and its security forces. Like the results in Chart Two they offer real hope that better politics, better leadership, and better governance could alter the negative polling results relatively quickly. However, they also show that any lasting form of Iraqi political and economic stability and security requires future governments to come to grips with these issues, not simply to seek economic growth or development on a national level. Ethnic and sectarian differences do not cripple Iraq, but they do require political action — rather than factionalism and denial.

Polls quoted in the Arab Barometer also had similar results. Only 6% of the Iraqis polled said they “had a great deal of trust in political parties.” Only 12% of Iraqis had trust in Islamist parties and movements.²⁷

Chart Two: Winning or Losing the Trust of the Iraqi People – Polls on National Unity and Faith in Democracy²⁸

Q18. [TREND] Some people say that it is essential that Iraq remain as one nation. Others say that parts of Iraq should be allowed to become fully separate nations if the people in them choose to be separate. Which of these two statements is closer to your					
	It is essential that Iraq remains one nation	Parts of Iraq should be allowed to become fully separate		Don't know	No answer
	83.8%	14.6%		1.3%	.3%
Total					
100.0%					
In your opinion, how effective has the central government in Baghdad been in dealing with each of the following issues—very effective, somewhat effective, somewhat ineffective, or very ineffective? h. Overcoming sectarian divisions					
	effective	ineffective		[Don't show] Don't know	Total
	23.9%	73.3%	60.2%	2.7%	100.0%
How much confidence do you have in the following to improve the situation in Iraq—a great deal, fair amount, not very much, or none at all? a. Iraq's central government					
Great deal	Fair amount	Not very much	None at all	[Do not read] Don't know	[Do not read] No answer
5.2%	16.7%	16.7%	60.7%	.7%	.1%
Total					
100.0%					
Q20. [TREND] Which of the following systems of government do you think would be best for Iraq? [READ CHOICES]					
A system in which the central government has most of the power	A system where power is shared equally among the central government, provinces, and regions	A system in which the provinces and regions have most of the power	Don't know	No answer	Total
38.5%	41.6%	15.9%	3.7%	.4%	100.0%
Q16. [TREND] Would you say that Iraq is now a democracy, is becoming a democracy, or will never be a democracy?					
Iraq is now a democracy	Iraq is becoming a democracy	Iraq will never be a democracy	Don't know	No answer	Total
12.0%	27.3%	58.7%	1.8%	.3%	100.0%
How much confidence do you have in the following to improve the situation in Iraq—a great deal, fair amount, not very much, or none at all? b. The Council of Representatives					
Great deal	Fair amount	Not very much	None at all	[Do not read] Don't know	[Do not read] No answer
2.9%	10.4%	17.7%	66.2%	2.8%	.1%
Total					
100.0%					
In your opinion, how effective has the central government in Baghdad been in dealing with each of the following issues—very effective, somewhat effective, somewhat ineffective, or very ineffective? d. Reducing corruption					
	effective	ineffective		[Don't show] Don't know	Total
	11.0%	87.4%		1.6%	100.0%

Source: Munqith Dagher, *Al Mustakilla Research Group (IIACSS)*, May 20, 2020.

Chart Three: Winning or Losing the Trust of the Iraqi People – Polls on Political Freedom²⁹

Q1. [TREND] In general, do you think things in Iraq are going in the right direction or in the wrong direction?					
Right direction	Wrong direction	Don't know	No answer	Total	
21.3%	77.5%	1.0%	.1%	100.0%	
. For each one, please tell me whether you think it describes the situation in our country very well, somewhat well, somewhat poorly, or very poorly. a. People can openly criticize the government					
	well	poor	Don't know	No answer	Total
	57.1%	42.4%	.5%	.1%	100.0%
. For each one, please tell me whether you think it describes the situation in our country very well, somewhat well, somewhat poorly, or very poorly. b. People choose their political leaders through fair and regular elections					
	well	poor	Don't know	No answer	Total
	56.8%	42.4%	.8%	.1%	100.0%
. For each one, please tell me whether you think it describes the situation in our country very well, somewhat well, somewhat poorly, or very poorly. c. The media can freely report on news even if it is negative toward the government					
	well	poor	Don't know	No answer	Total
	57.2%	41.9%	.9%	.1%	100.0%
. For each one, please tell me whether you think it describes the situation in our country very well, somewhat well, somewhat poorly, or very poorly. d. People are free to form independent groups and associations without government interference					
	well	poor	Don't know	No answer	Total
	47.2%	50.6%	2.0%	.2%	100.0%
. For each one, please tell me whether you think it describes the situation in our country very well, somewhat well, somewhat poorly, or very poorly. f. People are able to join or form political parties					
	well	poor	Don't know	No answer	Total
	41.1%	56.5%	1.9%	.5%	100.0%
. For each one, please tell me whether you think it describes the situation in our country very well, somewhat well, somewhat poorly, or very poorly. e. The courts treat everyone equally under the law					
	well	poor	Don't know	No answer	Total
	53.1%	45.2%	1.6%	.1%	100.0%

Source: Munqith Dagher, *Al Mustakilla Research Group (IIACSS)*, May 20, 2020.

Another set of polls highlights the lack of popular trust in Iraq's government and the special impact of corruption. The *Arab Barometer* regularly polls much of the Arab world, and its *Wave 5-Country Report for Iraq* for 2019 summarizes Iraqi popular attitudes toward governance, the United States, and corruption as follows:³⁰

Trust in parliament and the judiciary have seen double-digit drops since 2011. Only 16 percent of Iraqis indicate they are generally satisfied with the overall government performance...The May 2018 elections, which registered record low turnout since 2005, and the subsequent months-long struggle to form a government have not helped these perceptions, if not outright contributing to them. In fact, the majority (60 percent) believe that the elections were neither free nor fair.

These negative assessments of political institutions, government performance, and the economy may underpin beliefs that Iraq is experiencing a decline in democracy, with only 23 percent saying that the country is somewhat democratic. Still, the majority (75 percent) believes that democracy, despite its flaws, is better than other forms of government.

...Widespread sentiments of dissatisfaction with government performance bleed into Iraqis' appraisals of and participation in their electoral system. Iraq's May 12, 2018 national elections held throughout the country's 18 governorates witnessed record low turnouts since 2003. Only 44 percent of the eligible voter population voted for candidates to fill the 329 seats in the Council of Representatives, which constituted a decrease from 62 percent in 2014. With 9 seats reserved for minorities and 25 percent of seats reserved for women, Iraq's open list proportional representation system offered 23 political coalitions, 45 political parties, and 19 independent candidates—a total of 87 lists with more than 7,000 candidates—from which Iraqi voters could choose

Against this backdrop, most Iraqis (75 percent) report feeling that politics is too complicated to understand, and interest in politics has waned significantly only 26 percent say they are interested in politics, compared with 52 percent in 2011. The decline is particularly pronounced among youth (age 18-29), fewer of whom report voting and taking an interest in the political system.

This cooling of overall feelings towards politics reverberates in a sense of detachment from and skepticism toward various aspects of the electoral system. Low shares report having attended a campaign event (11 percent), and six-in-10 say that the elections were neither free nor fair, with roughly a quarter stating they were major problems.

The plurality of Iraqis (48 percent) do not feel close to any political party, and only 6 percent trust political parties. While there has been a 10-point increase in share of Iraqis describing themselves as "religious" between 2013 (39 percent) and 2019 (49 percent), there is a small decrease in the preference for a religious over a non-religious party from 52 percent to 47 percent in the same time period. This mirrors a more marked decline in trust in religious leaders. In 2019, roughly 40 percent trust religious leaders, down from 64 percent in 2013, and seven-in-10 think that religious leaders are as corrupt as non-religious leaders.

Trust in public—and particularly political—institutions also is declining. In 2019 a minority of Iraqis trust the parliament (13 percent) and the judiciary (38 percent), marking a 15- and 16-point drop since 2011. Only one-in-four trust the civil service. In contrast, there is high trust in enforcement institutions 69 percent trust the police and 84 percent trust the army.

National assessments of perceived corruption and performance coupled with a decrease in voter turnout and in election-related participation appear to be a referendum not only on the government, but also on the political system in the country. Iraqis perceive their country as one experiencing a democratic decline. Citizens who think Iraq is somewhat democratic have never been in the majority, but only 23 percent think so in 2019, compared with 37 percent in 2013.

But this appraisal of democracy as a political system may be linked to Iraqis' appraisal of the government performance. When asked, roughly half of all Iraqis (51 percent) believe that the most essential characteristic of a democracy is to ensure job opportunities. Only 21 percent rate the economic situation in the country as good, compared with 52 percent in 2013. If the economy is the yardstick by which Iraqis are measuring the system, then it is unsurprising that the political system is seen as falling short.

Nevertheless, 55 percent of Iraqis believe that democracy is the preferred form of government for their country, and despite its substantive flaws, 75 percent believe that democracy is better than other political systems. It appears Iraqis like the idea of democracy, but they do not like the specific brand of it that has developed in their country.

The same polling effort addressed the high level of Iraqi sensitivity to corruption:³¹

... Corruption remains high among the challenges Iraqis suggest are facing their country, and one-in-four believe that corruption pervades national state agencies and institutions to a large extent. Evaluations of the economy are not much better: two-in-ten evaluate the economic situation in 2019 as good, down from half in 2013.

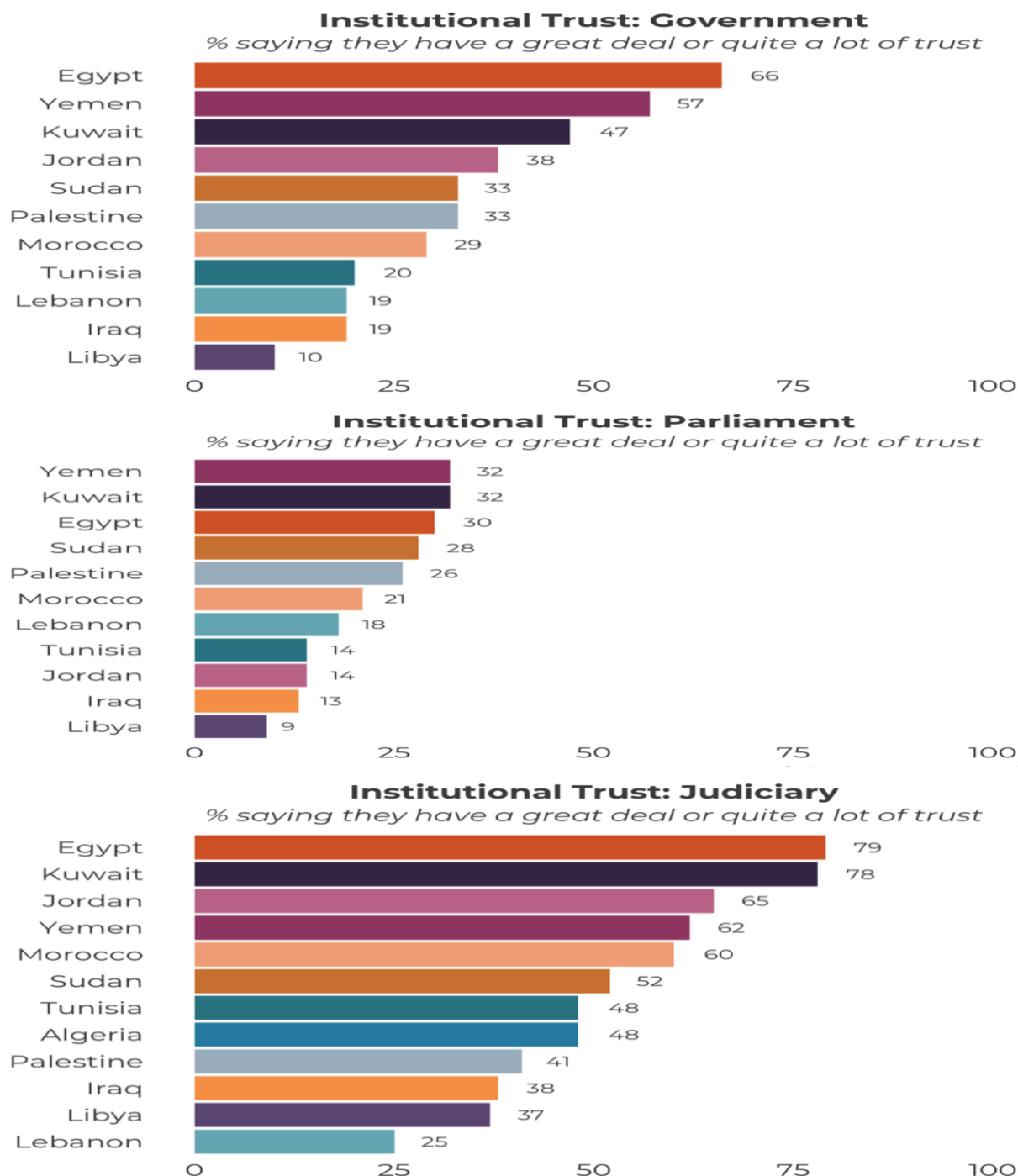
...In a trend observed since 2011, the perception that corruption pervades the political landscape is widespread in Iraq. While complaints of corruption are high across the Arab world, more Iraqis (74 percent), along with Libyans and Tunisians, than citizens in other Arab countries believe that the extent of corruption is large within national state agencies and institutions. The plurality (32 percent) believe that corruption ranks first among the most important challenges facing the country, making Iraq the only country other than Kuwait surveyed by the Arab Barometer to rank corruption as a bigger problem than the economic situation.

..... While majorities report both the necessity to use corruption to access government services and jobs, minorities believe that the Iraqi government is doing a good job at providing the same services. Few are satisfied with the education system (26 percent) and health care system (33 percent).

Perceptions of pervasive corruption coupled with stilted service underscore general dissatisfaction with government performance. Only 16 percent of Iraqis indicate they are generally satisfied with the overall government performance, while roughly 30 percent agree that the government does all it can to provide its citizens with necessary services. Among MENA countries, Iraq has the second highest share (41 percent) of citizens saying that internal factors alone are most important in causing the lack of development in the Arab world.

These findings regarding popular perceptions of governance, the legislature, and the judiciary are summarized in **Chart Four**, along with comparisons that show how low popular support for such institutions compared with such popular support in most other Arab states. The findings regarding perceptions of corruption are summarized in **Chart Five**, along with comparisons that show the extent to which corruption in Iraq outpaces the level of corruption in most other Arab states.

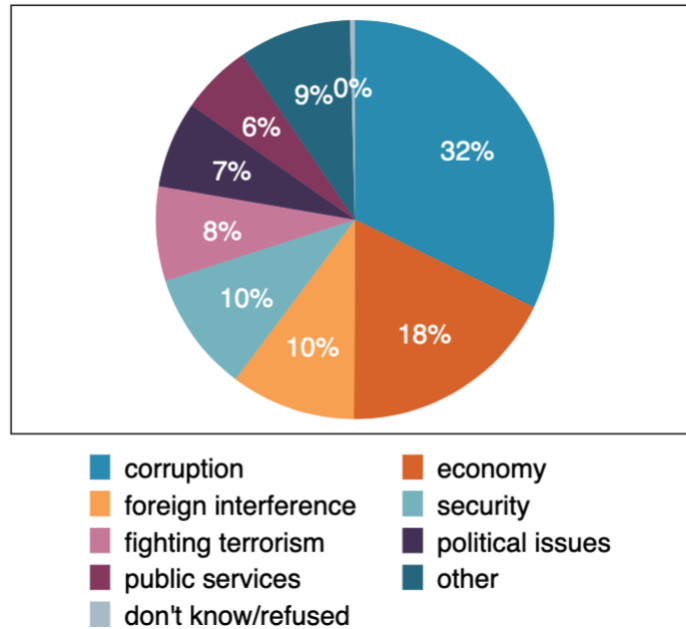
Chart Four: Popular Trust in Government, Parliament, and the Courts



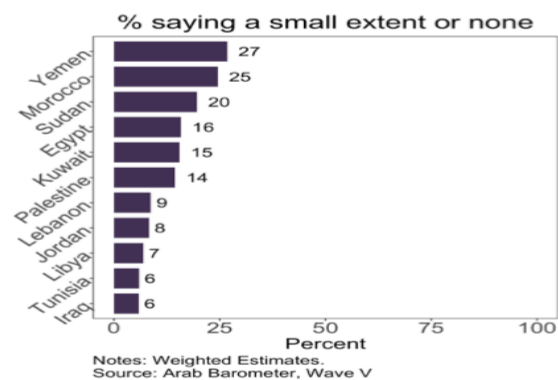
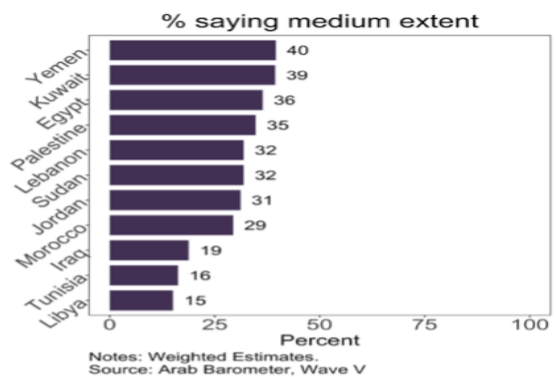
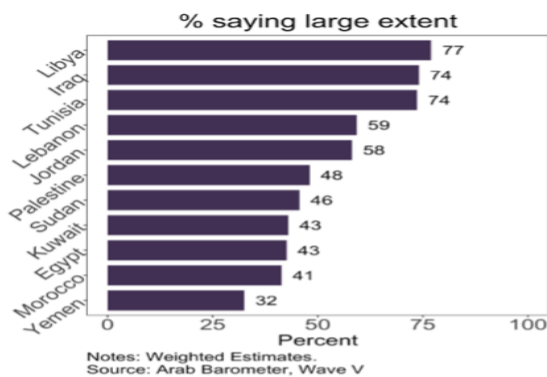
Source: Abdul-Wahab Kayyali, "The Arab World's Trust in Government and the Perils of Generalizations," Arab Barometer, June 23, 2020, <https://www.arabbarometer.org/2020/06/the-arab-worlds-trust-in-government-and-the-perils-of-generalization/>.

Chart Five: The Impact of Corruption in Iraq

What is the most important challenge facing your country today?



Perceived Extent of National Corruption by Country



Source: "Wave 5-Country Report for Iraq for 2019," Arab Barometer, pp. 2-4, 15.

Politics, Governance, Public Demonstrations, and Rising Violence

Given this background, there should be nothing surprising about the fact that Iraqi popular distrust of politics and government took the form of explosive political demonstrations during 2019-2020 – as it did in 2013 in the period when ISIS invaded. Work by ACLED is shown in **Chart Six** 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.

And, these data tell only part of the story. They do 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. They instead reflect the levels of popular demonstrations in the Baghdad region and in largely Shi’ite areas of Iraq that ACLED calls the “October Revolution,” which led to “Attacks on demonstrators that were unprecedented in scale, with more than 500 fatalities reported between October 2019 and April 2020.”³²

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,

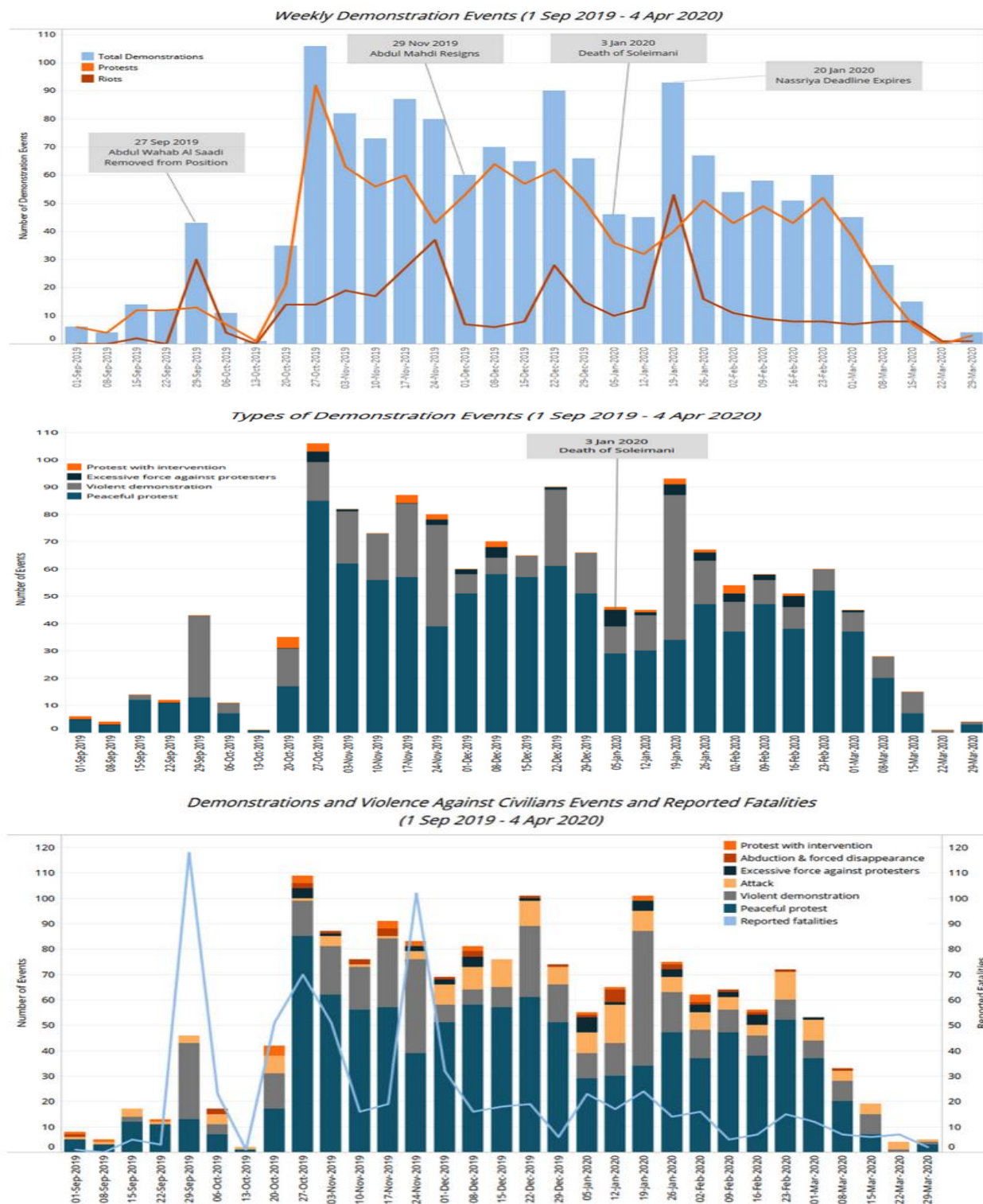
...been able to expand quickly throughout the six months from October 2019 through March 2020 to include eastern and central Iraqi provinces alongside the southern provinces, effectively spreading throughout the entire country (*see maps below*). Key southern cities such as Nassriya, Basra, Diwaniya, 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](#)).

Iraq clearly faces a world in which these challenges will be increased by the impact of the increasing pressure on Iraq’s economy from the Coronavirus as well as from a massive drop in oil prices and its export revenues. These challenges not only affect Iraq directly, but affect the global economy, the availability of outside investment funds and foreign aid, and the instability of neighbors like Iran, Syria, Turkey, and other Arab states.

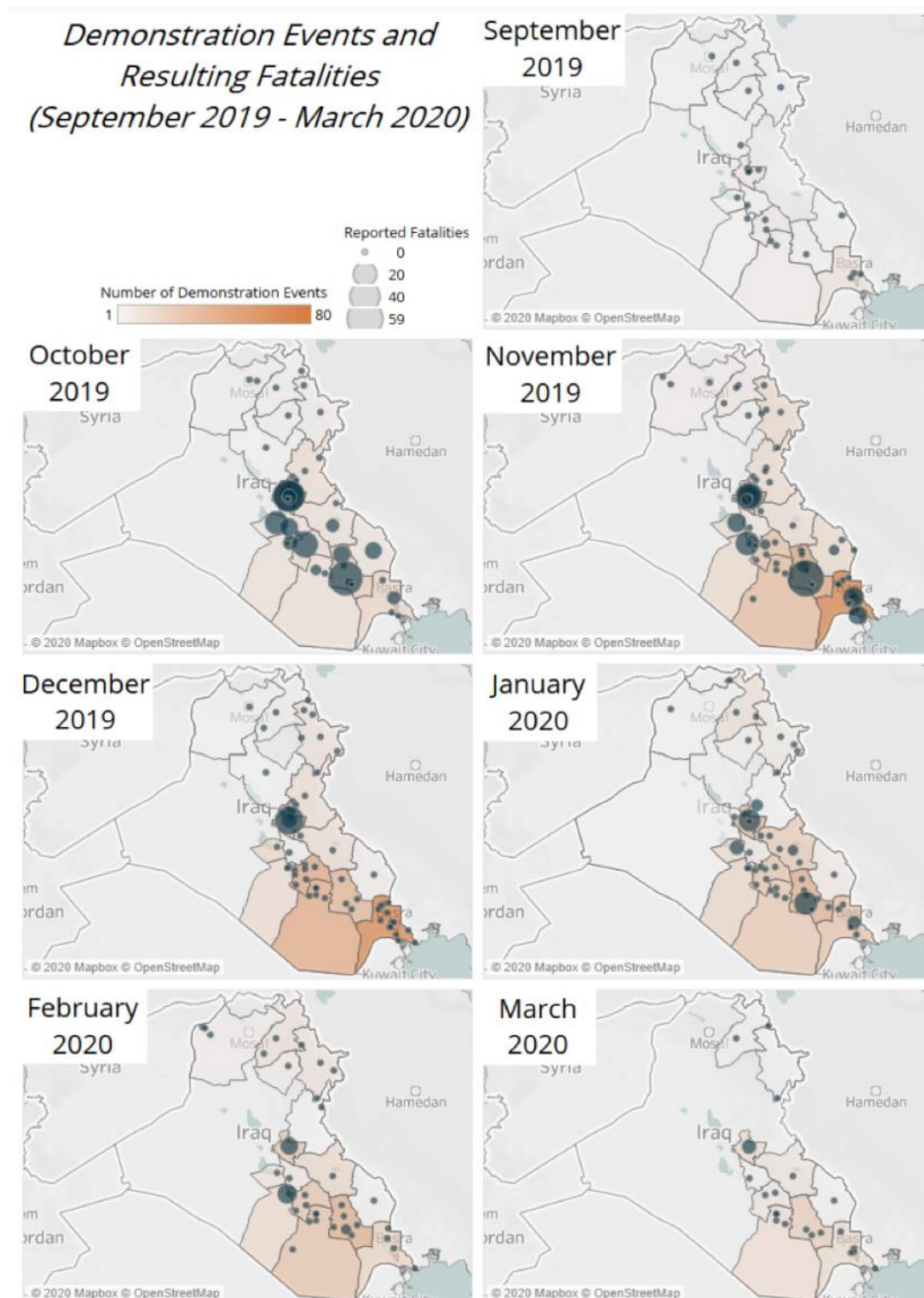
They are already leading to increases in Iraq’s high levels of public discontent. The growing patterns in public protests and demonstrations are shown **Chart Six**. They have recently been dampened to some extent by the impact of the Coronavirus and Iraq’s leadership crisis. However, other public opinion polls shown that discontent continues to rise, and demonstrations have not halted. On June 7, 2020, Iraqi protests sparked in Southern Iraq in response to fears over inevitable salary cuts.³³ Local security forces once again responded with violence, and Iraq has the probability of experiencing another wave of widespread protests.

Chart Six: Iraq's October 2019 Revolution: Popular Demonstrations Through April 2020 – Part One



Source: ACLED, Iraq's October 2019 Revolution: Six Months On, <https://acleddata.com/2020/04/10/iraqs-october-revolution-six-months-on/>

Chart Six: Iraq's October 2019 Revolution: Popular Demonstrations Through April 2020 – Part Two



Source: ACLED, Iraq's October 2019 Revolution: Six Months On, <https://acleddata.com/2020/04/10/iraqs-october-revolution-six-months-on/>

***Only Iraqis Can Fix Iraq's Political and Governance Problems,
But the U.S. Can Help***

For all the reasons analyzed in this assessment of politics and governance – and in the following sections on Iraq's economic and security situation – Iraq cannot move forward unless it can help itself. Only Iraqis can come to grips with its present combination of bad politics, poor governance, and failed economic and security efforts. Unless the Iraqi government is far more effective and united in the future than it has been over the last few decades, Iraq is virtually certain to make its current challenges steadily worse.

Iraq desperately needs a political, economic, and security system that shows each major segment of Iraq's population that they will have a reasonable share of the nation's wealth and political power. It needs to reduce corruption to reasonable levels, create equity in government services, fund the rebuilding of war-torn areas, share government jobs and those in state industries, and create opportunities for all Iraqis in the private sector.

Iraq needs a fundamental reform of its political system to end nation-wide lists of candidates that create factional power centers that largely serve the interests of given leaders rather than a given set of constituents, and that make real political visibility and accountability difficult to impossible. National legislators need to be elected on the basis of their ability to serve given constituents. Provincial, urban, and local governments need to be strengthened and have clearly defined roles and far greater public transparency. While Iraq may not need any formal form of federalism, Arab Shi'ite, Arab Sunni, and Kurd must all have clear centers of power and influence.

Above all, Iraq cannot unify by denying its differences, or by having one bloc dominate the others. Some solution is needed that creates a stable power balance for all three major factions, and it will need to create a climate in which mixed areas can grow and work together with more security. This is particularly true given the outside pressure and instability of Iran, Syria, and Turkey – as well as the challenges the Coronavirus and petrol-crises posed to all of the Iraq's Arab neighbors.

These are challenges only Iraqis can meet. No credible source of outside aid and advice exists which do more than help expedite ongoing Iraqi efforts. If there is any "iron law" of development, it is that no outside power can help a nation that cannot help itself. 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.

Iraqis will have to find most paths to reform for themselves, but some things are clear. Iraqi politicians and officials can only win popular trust and confidence through far great levels of transparency and accountability. This will require significant changes in the way the Iraqi government reports, audits, and measures its own effectiveness. It also means reporting that clearly shows when funds are not being used properly, when contract awards are excessive or are not competitive, when progress is too slow, and when local and popular views have not been properly considered or consulted.

Iraq is too fragile to experiment with radical forms of federalism, but it cannot rely on central planning, decision making, and views of national interest that transcend local needs. Iraq needs to find practical ways to meet the different priorities of Arab Shi'ite, Arab Sunni, Kurdish, and mixed areas of the remaining minorities.

Iraqi politics and governance need to be less centralized and less reliant on top-down decision making from Baghdad. Provincial, major urban, and local governments need to be given more

authority, more ability to express local needs to the central government, and more capability to consult local figures and hear popular demands and comments. It will also be far more important to tailor such changes to local needs and to heal Iraq's divisions than to find standardized or one size fits all solutions. The answer will generally be to find awkward compromises that actually work.

This new emphasis on provincial, major urban, and local government – and on transparency and accountability – needs to be tailored so that progress in all aspects of the efforts to heal Iraq's deep ethnic and sectarian divisions are clear to all sides, and there is steadily growing real equity in the allocation of government resources and activities between the Arab Shi'ite, Arab Sunni, Kurdish and mixed area portions of Iraq – showing that they are getting attention and resources proportionate to their populations and their most urgent needs.

All the United States can do in this particular aspect of its strategic relationship with Iraq is to work with other countries to create economic and aid incentives that are tied to the steps that will keep Iraq moving forward. The United States can actively encourage unity and compromises, and to make it clear that the U.S. goal in doing this is to create a strong and independent Iraq – not some form of a client state – but the challenge still falls largely on Iraqis.

This means that the Kadhimi government, successive central governments, and every other aspect of Iraqi politics and governance – will face major challenges for at least the next decade. Winning popular acceptance of this fact will be a challenge in itself. At the same time, there are reasons for hope. Some of Iraq's politicians have clearly learned from experience. Iraq already does have some aspects of a functional democracy, and it does have a history of nationalism, although it has had some key periods of real unity. It still has relatively high levels of education and development by international standards. The potential is still there. What Iraqis do next will really matter.

It also means that it will not be enough for the U.S. to help Iraq deal with ISIS, rogue Popular Mobilization Forces, and interference from Iran. The U.S. cannot substitute for an Iraqi failure to lead Iraq forward, but it can encourage and help. The U.S. can take the lead in encouraging other states and international organizations like the IMF and World Bank to provide aid and help develop equitable efforts and solutions. It can help shield Iraq from the instability in Syria and Turkey, and help Iraq develop long term efforts to create an effective mix of internal security forces and deterrents to outside pressure and military action rather than consistently creating Iraqi forces that react to the crisis of the moment.

The United States must also make good on its commitment in the June 2002 strategic dialogue to reject trying to make Iraq join the U.S. in putting "maximum pressure" on Iran. The U.S. should actively help Iraq make the transition out of its current over-dependence on Iranian gas and electricity. It can help Iraq find ways to end Iran's manipulation of its exports to Iraq in ways that cost Iraqi national income, jobs, and agricultural productivity. Iran is a natural trading partner with Iraq, but Iran is also manipulating its present trading structure with Iraq in ways that cause more damage to Iraq.

America's key commitments should be the ones it has already agreed to with Iraq in June:³⁴

... assisting Iraq in implementing its governmental program and reforms in a manner that reflects the aspirations of the Iraqi people, including carrying out humanitarian efforts, restoring stability, rebuilding the country, and organizing free, fair and credible elections. The United States, with its international partners, emphasized its continued support for Iraq's electoral preparations, efforts to strengthen rule of law, human

rights, and the return and reintegration of displaced people, especially the smaller components of Iraqi society that were targeted for genocide by ISIS.

On the security partnership, the two countries recognized that in light of significant progress towards eliminating the ISIS threat, over the coming months the U.S. would continue reducing forces from Iraq and discuss with the Government of Iraq the status of remaining forces as both countries turn their focus towards developing a bilateral security relationship based on strong mutual interests. The United States reiterated that it does not seek nor request permanent bases or a permanent military presence in Iraq, as previously agreed to in the 2008 SFA which provides for security cooperation to be undertaken on the basis of mutual agreement. The Government of Iraq committed to protecting the military personnel of the International Coalition and the Iraqi facilities hosting them consistent with international law and the specific arrangements for their presence as will be decided upon by the two countries.

No option can better serve America's real strategic interests than a strong, sovereign, and independent Iraq.

A “Ghost” Economy in a Period of Crisis

The previous analysis has shown that a successful strategic dialogue with Iraq must focus as much on improving governance as on security. The same is true of Iraq’s second set of “ghosts” – the ones that shape its economy. Iraq not only faces new economic challenges, its economy has been crippled for decades by war, crises, and a lack of reform.

Iraq now faces two new economic crises, and there is no current way to predict what the additional impacts of the Coronavirus and that of the drastic cuts in petroleum export income will have on Iraq’s existing economic crises. It is already clear, however, that the combination of the Coronavirus and the drastic cuts in global petroleum demand and Iraq’s petroleum export income will present major new problems, further challenge Iraq’s weak political and governance structures, and create new problems in achieving security and stability.

At the same time, no effort to establish a stable strategic relationship with Iraq can ignore the fact that these new crises will impact an economy that was already haunted by the “ghosts” of its past. Iraq’s economy has been that of a failed state since at least 1979, although many would argue it was far longer. Its state sector, agricultural sector, and private sector have all faced major problems for decades. Its new crises will impose still further problems on an already crippled economic structure.

Iraq’s people recognized the seriousness of these problems and the impact on their lives, long before the Coronavirus became an issue. As the mass public demonstrations described earlier and the public opinion polls shown in **Chart Seven** make clear, Iraq’s economic problems had a major impact on Iraqi politics before the Coronavirus and petroleum crises began

These problems also are not arcane issues that can be dealt with by economists. As has been described earlier, they affect a nation that is still deeply divided along ethnic and sectarian lines, and by region. As is the case with politics and governance, solution to its economic problems and “ghosts” cannot be based on denial of the sheer depth of the differences and tensions between Arab Shi’ite, Arab Sunni, and Kurds – that have also led so many smaller minorities to leave the country.

Here, the strategic dialogue in June 2020, again offers real promise. Both the Iraqi and U.S. sides recognized an immediate need for economic stability and efforts towards stabilization. Prime Minister Kadhimi has also shown that he recognizes that Iraq cannot continue to rely on oil exports as its most significant form of revenue. Recognizing problems, however, is far from solving them. Iraq’s future – and an Iraqi-U.S. strategic relationship – depend on finding and implementing solutions.

Chart Seven: Pre-Coronavirus/Petroleum Crisis Pubic Opinion Views of the Iraq Economy³⁵

In your opinion, how effective has the central government in Baghdad been in dealing with each of the following issues—very effective, somewhat effective, somewhat ineffective, or very ineffective? b. Improving the economy					
	effective	ineffective		[Don't show] Don't know	[Don't show] No answer
	15.1%	83.8%		1.0%	.0%
Total					
100.0%					

In your opinion, how effective has the central government in Baghdad been in dealing with each of the following issues—very effective, somewhat effective, somewhat ineffective, or very ineffective? e. Addressing unemployment				
	effective	ineffective		[Don't show] Don't know
	10.3%	88.4%		1.2%
Total				
100.0%				

In your opinion, how effective has the central government in Baghdad been in dealing with each of the following issues—very effective, somewhat effective, somewhat ineffective, or very ineffective? f. Improving electricity service				
	effective	ineffective		[Don't show] Don't know
	20.4%	78.5%		1.0%
Total				
100.0%				

Source: Munquith Dagher, Al Mustakilla Research Group (IIACSS), May 20, 2020.

The Illusion of “Oil Wealth”

One key point in understanding the seriousness of these economic challenges is to recognize that Iraq’s dependence on petroleum export income has evolved in ways that make Iraqi “oil wealth” largely illusory. Iraq is sharply over-dependent on petroleum, and much of its supposed “oil wealth” is more illusory than real. For all the historical reasons discussed earlier, Iraq’s oil export revenues have only met a limited part of Iraq’s needs except for a few periods of peak revenues and relative peace and stability – periods that have not occurred since the late 1970s.

In addition, Iraq’s rapid population growth has reduced the per capita value of Iraqi petroleum exports in real terms, and it has created steadily smaller percentages of the new jobs Iraq needs for its people. Producing oil fields require only limited amounts of labor relative to their operating expenses, and even the creation of new fields has a high ratio of capital to labor. As Arab Development Reports, the World Bank, and the IMF have all pointed out from some years, Iraq is in critical need of economic diversification.

Iraq does have large petroleum reserves. The latest country report by the U.S. Energy Information Administration (EIA) states that Iraq is the fifth largest oil producer in the world and 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. The latest OPEC country profile for Iraq dates back to 2018, but still provides a good profile of Iraq’s petroleum resources:³⁶

Population (million inhabitants)	38.120
Land area (1,000 sq. km)	438
Population density (inhabitants per sq. km)	87
GDP per capita (\$)	5,571
GDP at market prices (million \$)	212,407
Value of exports (million \$)	95,256
Value of petroleum exports (million \$)	68,192
Current account balance (million \$)	33,764
Proven crude oil reserves (million barrels)	145,019
Proven natural gas reserves (billion cu. m.)	3,729
Crude oil production (1,000 b/d)	4,410.0
Marketed production of natural gas (million cu. m.)	11,130.2
Refinery capacity (1,000 b/cd)	663.3
Output of petroleum products (1,000 b/d)	592.1
Oil demand (1,000 b/d)	704.4
Crude oil exports (1,000 b/d)	3,862.0
Exports of petroleum products (1,000 b/d)	45.7
Natural gas exports (million cu. m.)	--

Oil “wealth,” however, is determined by actual oil export revenues, and not by actual production or the size of reserves that are still in the ground. It is determined by demand, by how much oil and gas are actually produced and sold, and by how much export income this provides in per capita terms.

As **Chart Eight** shows, Iraq’s crude oil production has long been erratic and driven by various wars and crises. Estimates also differ from source to source. In broad terms, however, Iraqi production 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.

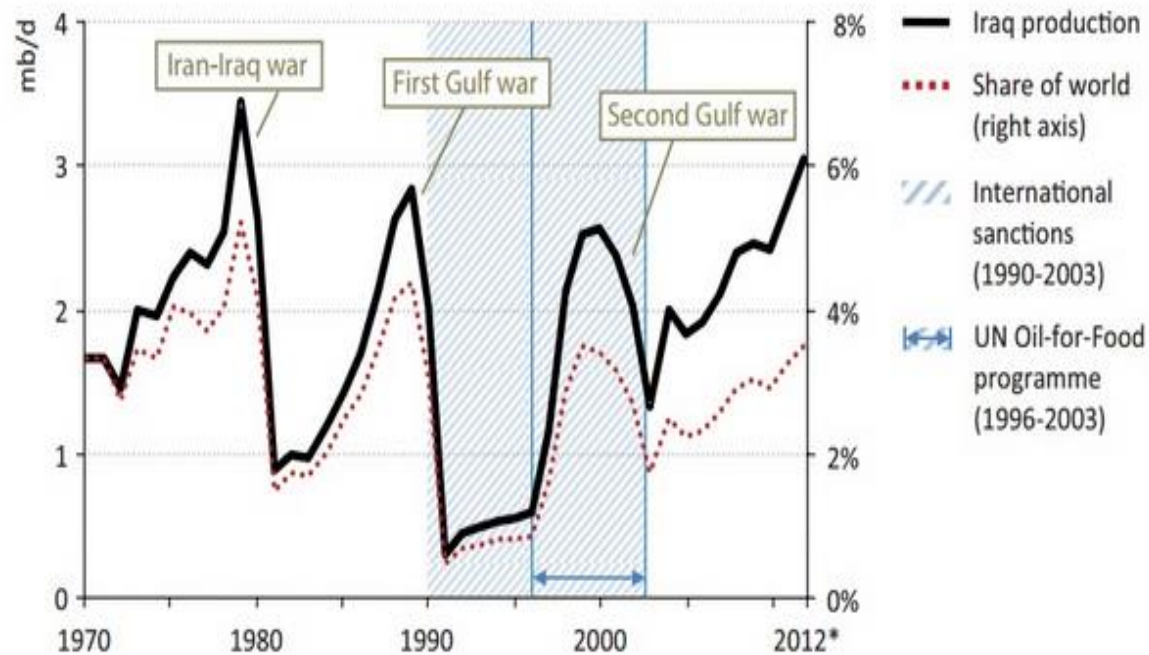
During the first half of 2018, Iraqi crude oil output stood at about 4.5 MMBD. These production estimates include oil produced in the Iraqi Kurdistan Region, the semiautonomous northeast region in Iraq governed by the Kurdistan Regional Government (KRG).³⁷

Moreover, Iraq's oil revenues have been in decline since 2012-2014 – long before the present crisis. The price of oil dropped from the \$100 a barrel range in 2012-2014 to levels around \$50 to \$60 dollars a barrel after that time.

This had a major impact on Iraq's total oil revenues. The U.S. government's Energy Information Administration (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 2019.³⁸

Chart Eight: Oil Production versus Oil Wars and Price Crises- Part One

The Impact of Crises and Wars on Oil Production: 1970-2013



* Based on first five months.

Production in MMBD from the End of the War Against the ISSI 'Caliphate' and the Beginning of the 2020 Oil Crisis



Source: Matt Mushalik, "Doubling of Iraqi oil production by 2020?," *Resilience*, originally published by *Crude Oil Peak*, August 12, 2013, <https://www.resilience.org/stories/2013-08-12/doubling-of-iraqi-oil-production-by-2020/>; Trading Economics, "Iraqi Oil Production," <https://tradingeconomics.com/iraq/crude-oil-production> and <https://tradingeconomics.com/iraq/exports>.

Chart Eight: Oil Production versus Oil Wars and Price Crises- Part Two – Iraq and Rest of OPEC

According to secondary sources, **total OPEC-13 preliminary crude oil production** averaged 24.19 mb/d in May, lower by 6.30 mb/d m-o-m, as ten OPEC MCs have agreed to adjust down their production from May 2020. Crude oil output in May decreased almost in all MCs mainly in Saudi Arabia, the UAE and Kuwait.

Table 5 - 8: OPEC crude oil production based on secondary sources, tb/d

Secondary sources	2018	2019	3Q19	4Q19	1Q20	Mar 20	Apr 20	May 20	Change May/Apr
Algeria	1,042	1,022	1,021	1,022	1,018	1,031	1,006	819	-188
Angola	1,505	1,401	1,390	1,350	1,388	1,402	1,313	1,280	-33
Congo	317	324	325	313	295	295	293	272	-22
Equatorial Guinea	125	117	119	122	122	122	126	93	-33
Gabon	187	208	204	210	194	202	196	189	-7
Iran, I.R.	3,553	2,356	2,189	2,113	2,059	2,025	1,973	1,978	5
Iraq	4,550	4,678	4,752	4,633	4,560	4,570	4,504	4,165	-340
Kuwait	2,745	2,687	2,655	2,688	2,741	2,880	3,118	2,198	-921
Libya	951	1,097	1,103	1,163	348	91	82	82	-1
Nigeria	1,718	1,786	1,842	1,777	1,800	1,848	1,777	1,592	-185
Saudi Arabia	10,311	9,771	9,452	9,846	9,796	9,946	11,642	8,482	-3,160
UAE	2,986	3,094	3,096	3,135	3,208	3,507	3,841	2,477	-1,364
Venezuela	1,354	796	714	724	730	660	624	570	-54
Total OPEC	31,344	29,337	28,861	29,095	28,258	28,578	30,495	24,195	-6,300

Notes: Totals may not add up due to independent rounding.

Source: OPEC.

Table 5 - 9: OPEC crude oil production based on direct communication, tb/d

Direct communication	2018	2019	3Q19	4Q19	1Q20	Mar 20	Apr 20	May 20	Change May/Apr
Algeria	1,040	1,023	1,025	1,023	1,018	1,033	1,004	812	-192
Angola	1,473	1,377	1,318	1,345	1,402	1,404	1,352	1,222	-130
Congo	323	332	333	309	308	319	314	320	6
Equatorial Guinea	120	110	109	110	126	123	122	86	-36
Gabon	193	218	220	212	224	234	..	..	..
Iran, I.R.	..	..	..	..	..	..	..	..	..
Iraq	4,410	4,576	4,630	4,568	4,490	4,500	4,480	4,213	-267
Kuwait	2,737	2,678	2,636	2,683	2,744	2,901	3,151	2,191	-960
Libya	..	..	..	..	..	..	..	..	..
Nigeria	1,602	1,727	1,794	1,702	1,761	1,799	1,793	..	..
Saudi Arabia	10,317	9,808	9,503	9,929	9,755	9,733	12,007	8,486	-3,521
UAE	3,008	3,058	3,068	3,058	3,173	3,526	4,033	2,443	-1,590
Venezuela	1,510	1,013	864	859	821	718	737	573	-164
Total OPEC	..	..	..	..	..	..	..	..	..

Notes: .. Not available. Totals may not add up due to independent rounding.

Source: OPEC, *OPEC Monthly Oil Market Report - June 2020*, 17.6.2020, <https://momr.opec.org/pdf-download/>.. P.

The Impact of the New Crisis in Global Petroleum Demand

Iraq's "oil wealth" is also affected by the fact it is now dealing with a new major global crisis in oil demand and petroleum prices in addition to the Coronavirus. 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 United States). Contracts for June delivery were trading for about \$22 a barrel, down 16% for the day, on April 19, 2020.³⁹

An estimate of Iraq's shift oil revenues from 2001 to 2019 and an OPEC estimate of the price caused by this new crisis is shown in **Chart Nine**. Estimates of oil export revenues differ significantly by source, but the scale of the cuts in Iraqi revenues is clear.

In addition, other sources estimate that Iraq had some \$7 billion in annual export revenues in 2019. Iraqi oil export prices dropped to \$13.80 in April 2020. Even so, the Iraqi oil ministry estimate was that Iraq's total oil exports for April averaged 3.438 million barrels per day (bpd) (significantly lower than its total production). and its oil revenue had dropped more than 50% to \$1.42 billion.⁴⁰

The Lead Inspector General's report for April 2020 describes the impact of this petroleum crisis as follows:⁴¹

During the quarter, Iraq was hit with a mix of shocks, including COVID-19, halved oil prices, popular unrest, and ongoing militia violence. The country has been operating without a 2020 budget, limiting the ministries to monthly allocations based on the 2019 budget. Without increased revenues, Iraq will be unable to fund payments to the ministries after April.

A Middle East analyst reported that the twin shocks of the effect of COVID-19 on the world economy and the current oil price war would stress Iraq's budget to the limit. While the shocks were not foreseeable, the Iraqi budget structure imbalance would have inevitably led to an economic crisis. The budget imbalance projects revenues not covering current spending, which is mostly composed of salaries, pensions, and welfare spending, totaling 85 percent of current spending. While oil revenues make up 90 percent of government revenues, 25 percent of "non-oil" income is oil related in the form of taxes on foreign oil companies and the government's share from profits from the state's oil companies.

According to the aforementioned analysis, the default solution for the Iraqi government would be to cancel all non-oil investment spending and resort to borrowing, explained the Middle East analyst. These measures would only postpone but not resolve the economic crisis. Under this solution, the Iraqi government would continue to function; however, it would not be able to provide reliable electricity, potable water, and sanitary sewage treatment demanded by the reform protesters. Overdue and necessary rebuilding of communities damaged by the fight to expel ISIS would be delayed further.

The DoS reported to the DoS OIG that efforts to draft a 2020 budget have been set back by earlier unrealistic oil price and production assumptions. The previous draft budget priced oil at \$56 per barrel, with 3.88 million barrels per day average export. However, during the quarter, Iraq's oil prices dropped below \$30 per barrel. According to the DoS, Iraqi officials were considering revising the 2020 oil revenue assumptions to about \$30 per barrel, with 3.6 million barrels per day export, which would generate revenue of \$3.24 billion per month. However, officials reported that Iraq is spending \$4 billion per month for operational expenses limited to employee compensation, primarily salaries for federal and KRG government employees and state-owned enterprise employees, as well as pensions, and social welfare. Under the revised oil price and production assumptions, the Iraqi government would be unable to fund payments past April.

The DoS informed the DoS OIG that should then Prime Minister-designate Adnan al Zurfi fail to form a government by the April 17 deadline, an advisory committee of senior Iraqi economic officials was considering sending the revised draft budget to the Parliament without the endorsement of caretaker Prime Minister Abd al Mahdi, who maintains he lacks authority to transmit the budget. Alternative strategies include having President Barham Salih or the Prime Minister's economic committee send the revised budget to the

parliament. The advisory committee took no action following al Zurfi's withdrawal and Barham Salih's nomination of Mustafa al Kadhim as Prime Minister-designate on April 9.

These cuts in Iraq's 2020 petroleum revenues have helped lead to a major split over the sharing of revenue with the KRG and the government's ability to continue funding its operations:⁴²

The DoS reported that KRG officials are concerned that the Iraq Kurdistan Region's (IKR) economy is close to collapsing as the KRG's oil and non-oil revenue streams fall due to decreasing world oil prices and the impact of COVID-19 movement restrictions. During the quarter, KRG's net income from oil exports would be \$63 million per month based on \$30 per barrel, as compared to \$300 to \$350 million per month during the first three quarters of 2019. KRG officials told the DoS that the KRG relied heavily on the Iraqi government's \$384 million monthly budget transfer, which covered just over half of the KRG's \$750 million per month wage bill.

The DoS reported that KRG officials anticipate that operational funding deficits could exceed \$300 million per month starting in April. Options to ease fiscal pressure include cuts to public sector wages and reviewing contracts with the international oil companies to reduce production costs, while seeking a debt repayment freeze from Ankara and Moscow. Going forward, the KRG will need to cut expenses without an increase in revenues or increased support from the Iraqi government.

Under these conditions, it is not surprising that the International Energy Agency (IEA) warned on May 18, 2020, that,⁴³

The story of oil markets over the past month has been one of demand destruction on a historic scale. This peaked in "Black April," a month that saw negative oil prices... A month later, the gradual relaxation of restrictions on movement means we are seeing the early signs of gradual rebalancing of global oil markets. Mobility still remains limited for many citizens, but businesses are gradually starting to reopen, and people are returning to work, which will provide a boost to oil demand, albeit a modest one at first.

In this context, the outlook has improved somewhat and prices, while still far below where they were before the start of the Covid-19 crisis, have rebounded from their April lows. Even more important than the easing of lockdown measures has been steep production declines in non-OPEC countries alongside the commitments made by the OPEC+ agreement.

These twin shocks of severely diminished oil demand and significant oversupply have had an immediate impact on oil-producing countries that rely on hydrocarbon revenues to finance state budgets and fuel their economies. Iraq is one of the most vulnerable producer countries because of its almost complete dependence on these revenues and this crisis has underscored the urgent need for reforms of the country's energy sector.

One of the main issues for a fiscally constrained Iraq is the need to revisit its investment frameworks to ensure critical infrastructure projects don't grind to a halt for lack of funding. It would be unwise to base an economic reform strategy on hopes that oil prices will recover imminently yet there are a limited number of policy levers that Iraq can pull to shore up its current position. Electricity subsidy reform and stimulating private investment in natural gas infrastructure are two key actions that Iraq can take to ensure that investment continues even when government revenues have been decimated by low oil prices.

It is also clear that Iraq grossly overestimated its revenue from oil exports, in shaping its provisional 2020 budget in ways that left Iraq \$2 billion short of the financing costs of the public sector in April 2020.⁴⁴ The shortcomings for the proceeding months in 2020 are only expected to be much larger.

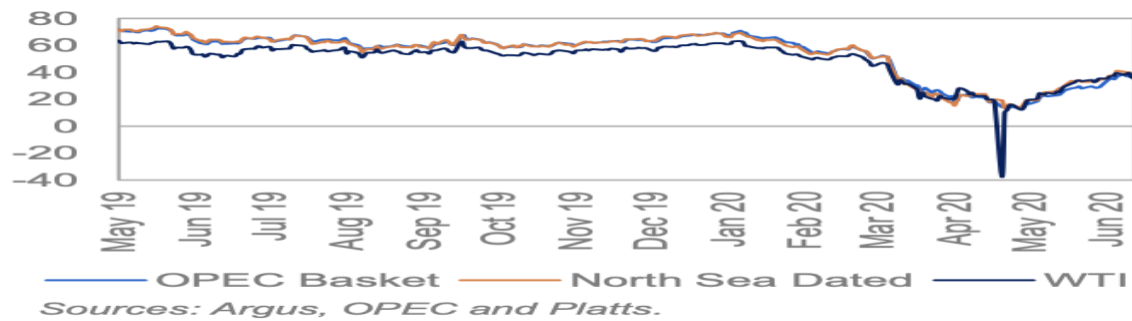
There have been efforts to limit the level of these price cuts by limiting oil production, but these at best have had mixed results. OPEC and Russia did reach an agreement to cut production in April 2020. However, analysts expected daily oil consumption to fall by as much as 29 MMBD by late April, about three times the cuts pledged by OPEC and its allies – and May was not expected to be much different. Moreover, Iraq was expected to cut its production by 1MMBD – which meant cuts in its export income.

In practice, Iraq was unable to fulfill its promise to make its share of these cuts by reducing its output in either May or June. Baghdad then promised to compensate for the missed targets by reducing production from July to September, but it was clear that any attempt to actually do so meant Iraq would have to increase its debt by either paying its foreign operators to not produce.⁴⁵ This meant Iraq would either have to resort to external borrowing – or create a deferred payment plan with its operators and then bet on recovering at some point through higher oil prices. Both options would have painful effects on Iraq and its budget, and on its ability to pay its public sector salaries.

The incentives to make such cuts were also unclear from the projections that OPEC, the IMF, and World Bank were making of the major uncertainties developing in the world economy and oil market. The *OPEC Monthly Oil Market Report for June 2020* did a particularly good job of illustrating the complexities and uncertainties involved. It was possible to model early or late recoveries with equal confidence or lack of it, and far from clear that Iraq could really benefit from such cuts.⁴⁶

Chart Nine: Price Crises vs. Oil “Wealth”

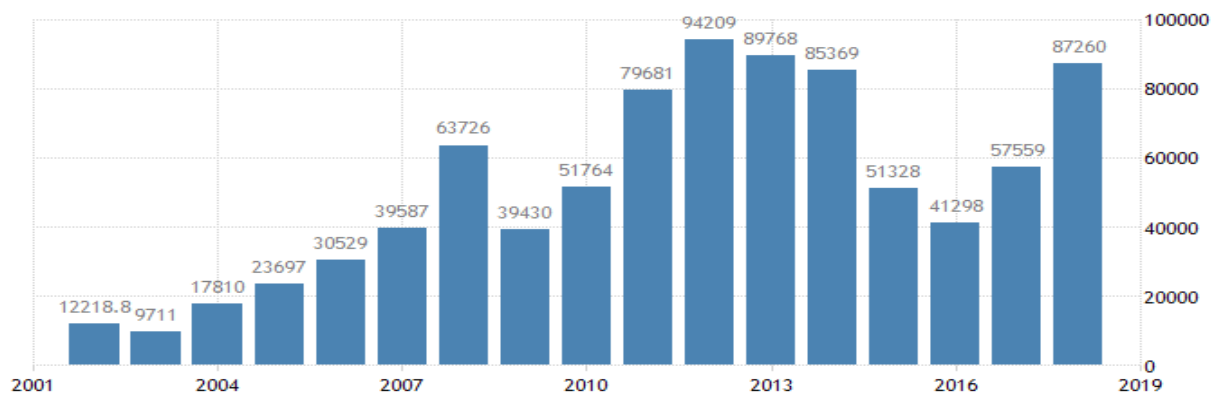
OPEC Estimate of Crude Oil Price Movements: May 2019-June 2020 (Crude oil price movement US\$/b)



Oil Prices 2001-2020



Total Iraqi Export Income in \$US Current Millions: 2001-2019



Source: OPEC, *OPEC Monthly Oil Market Report* - June 2020, 17.6.2020, <https://momr.opec.org/pdf-download/>; Matt Mushalik, “Doubling of Iraqi oil production by 2020?,” *Resilience*, originally published by *Crude Oil Peak*, August 12, 2013, <https://www.resilience.org/stories/2013-08-12/doubling-of-iraqi-oil-production-by-2020/>; Stanley Reed and Clifford Krauss, “Too Much Oil: How a Barrel Came to Be Worth Less Than Nothing,” *New York Times*, April 27, 2020, <https://www.nytimes.com/2020/04/20/business/oil-prices.html>. Trading Economics, “Iraqi Oil Production,” <https://tradingeconomics.com/iraq/crude-oil-production> and <https://tradingeconomics.com/iraq/exports>.

Over-Dependence on Petroleum Export Revenues and Low Per Capita Petroleum Income

More broadly, Iraq's market economy has long been heavily over-dependent on 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."

Iraq's "oil wealth" has also scarcely met most of the needs of its people. Its erratic levels of output and total export income have left Iraq – which has a population of some 39 million – with a relatively low per capita petroleum incomes 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 than Iraq: \$685 in 2017 and \$820 in 2018.⁴⁷

Moreover, Iraq's petroleum export revenues have affected 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. The same is true of its 135 trillion cubic feet (Tcf) of natural gas reserves – the 12th largest in the world. The end result is that its Arab Sunnis lack producing fields, its Arab Shi'ites and Kurds compete, and Arab Shi'ites in key oil producing areas in the South feel that Baghdad is taking far too much of the wealth that should belong to them.

Population Pressure and Employment

Iraq's massive population increases have been touched upon earlier in this analysis, but they affect far more than problems in governance. As the UN, World Bank, and IMF studies make clear, Iraq's economic development has been critically complicated by rapid population growth and by population pressures that have changed Iraq from a rural state dependent on agriculture to a state with largely industrial and service sector economy with steadily higher levels of urbanization.

Chart Ten shows that the U.S. Census Bureau estimates that Iraq's population has risen from less than 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 years of age or younger. U.S. Census Bureau also estimates that a steady rate of growth will continue from 2020 to 2030.

This means that Iraq will face constant heavy near-term pressure on a weak economy for high levels of job creation, and Iraq already has serious employment problems. There are no reliable figures on unemployment in Iraq – some guesstimates now put existing youth unemployment at well over 20%.

The population growth data in **Chart Ten** indicate that Iraq will need to find some 300,000-450,000 additional new jobs for its young men and women per year during 2020-2030. Moreover, ongoing population pressure means that more and more Iraqis are becoming dependent on such job creation, and population growth has already increased the number of Iraqis dependent on another generation of Iraqis for their income and livelihood. The CIA estimates that even the

current dependency ratio is 69.9, with a youth ratio of 64.1.⁴⁸ In practice, this population pressure also now interacts with the decreasing jobs and forced lockdowns created by the Coronavirus crisis and recent loss of petroleum export income.

And, Iraq's "ghosts" again have an impact. Previous governments have not adopted meaningful economic reforms or have encouraged the expansion of the private sector. They also have spent so much of their income on the public sector that they could not afford serious efforts to create more government and public sector jobs. In fact, rather than expanding the job market, the government responded with public sector salary cuts in already low incomes that barely provided a sustainable living. The end result is that Iraq now faces a major job crisis and one that requires broad structural economic reforms if Iraq is to provide a stable and sustainable future for its people.

They also have created a climate where employment and unemployment are associated with bribery and corruption. The same Arab Barometer poll discussed earlier found that, ⁴⁹

The share of Iraqis who believe that the government has done a good job at creating employment opportunities has dropped from 29 percent in 2013 to just 6 percent in 2019 (- 23 points). Entrepreneurship appears to be stilted by bureaucratic hurdles. Just two-in-ten say it is easy to register a business, three-in-ten say the same about acquiring building permits.

... majorities believe that it is necessary to pay *rashwa* (a bribe) to access better education (53 percent) and healthcare (56 percent), and 94 percent report that a *wasta* frequently is used to gain employment. *22 percent think that the government is serious about fighting corruption, a 13-point drop from 2013.*

Chart Ten: Iraq's Massive Population Growth

Demographic Overview - Custom Region - Iraq

Demographic Indicators	1950	1960	1970	1980	1990	1995	2000	2005	2010	2015	2020	2025	2030
Population													
Midyear population (in thousands)	5,163	6,822	9,414	13,233	18,208	19,636	22,847	26,651	29,095	34,848	38,873	42,971	47,153
Growth rate (percent)	(NA)	(NA)	(NA)	(NA)	-2.7	3.1	3.0	3.0	3.2	2.3	2.1	1.9	1.8
Fertility													
Total fertility rate (births per woman)	(NA)	(NA)	(NA)	(NA)	6.1	5.5	5.0	4.6	4.5	3.8	3.4	3.0	2.7
Crude birth rate (per 1,000 population)	(NA)	(NA)	(NA)	(NA)	39	36	36	35	34	29	26	23	22
Births (in thousands)	(NA)	(NA)	(NA)	(NA)	702	716	812	922	989	1,003	1,001	1,002	1,022
Mortality													
Life expectancy at birth (years)	(NA)	(NA)	(NA)	(NA)	67	67	68	66	69	69	73	74	75
Infant mortality rate (per 1,000 births)	(NA)	(NA)	(NA)	(NA)	67	52	40	34	30	25	20	17	14
Under 5 mortality rate (per 1,000 births)	(NA)	(NA)	(NA)	(NA)	83	65	49	41	36	30	23	20	16
Crude death rate (per 1,000 population)	(NA)	(NA)	(NA)	(NA)	7	6	6	6	5	5	4	4	4
Deaths (in thousands)	(NA)	(NA)	(NA)	(NA)	129	123	127	160	143	172	153	167	187
Migration													
Net migration rate (per 1,000 population)	(NA)	(NA)	(NA)	(NA)	-59	0	0	2	3	-1	-1	0	0
Net number of migrants (in thousands)	(NA)	(NA)	(NA)	(NA)	-1,067	8	0	51	93	-21	-20	0	0

Source Information: [Iraq](#)

Demographic Overview - Custom Region - Iraq

Demographic Indicators	1995	2005	2015	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Population														
Midyear population (in thousands)	19,636	26,651	34,848	38,873	39,696	40,510	41,315	42,134	42,971	43,806	44,643	45,480	46,317	47,153
Growth rate (percent)	3.1	3.0	2.3	2.1	2.1	2.0	1.9	2.0	1.9	1.9	1.9	1.8	1.8	1.8
Fertility														
Total fertility rate (births per woman)	5.5	4.6	3.8	3.4	3.3	3.2	3.2	3.1	3.0	3.0	2.9	2.9	2.8	2.7
Crude birth rate (per 1,000 population)	36	35	29	26	25	25	24	24	23	23	23	22	22	22
Births (in thousands)	716	922	1,003	1,001	1,001	1,001	1,002	1,002	1,002	1,007	1,012	1,016	1,019	1,022
Mortality														
Life expectancy at birth (years)	67	66	69	73	73	73	73	74	74	74	74	75	75	75
Infant mortality rate (per 1,000 births)	52	34	25	20	19	18	18	17	17	16	15	15	14	14
Under 5 mortality rate (per 1,000 births)	65	41	30	23	23	22	21	20	20	19	18	18	17	16
Crude death rate (per 1,000 population)	6	6	5	4	4	4	4	4	4	4	4	4	4	4
Deaths (in thousands)	123	160	172	153	156	158	161	164	167	171	175	179	183	187
Migration														
Net migration rate (per 1,000 population)	0	2	-1	-1	-1	-1	-1	0	0	0	0	0	0	0
Net number of migrants (in thousands)	8	51	-21	-20	-27	-34	-40	0	0	0	0	0	0	0

Source: United States Census Bureau, "Demographic Overview-Custom Region-Iraq,"

<https://www.census.gov/data-tools/demo/idb/region.php?T=13&RT=0&A=separate&Y=1950,1960,1970,1980,1990,2000,2010,2020,2025,2030&C=IZ&R=>

Changing the Nature of Jobs and Employment

Equally important, this mix of limits to Iraq's oil wealth and population pressures means that the structure of Iraq's economy and its work force must continue to change for Iraq to develop. In practice, these changes have already radically altered the character of what was once largely a rural state. 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.⁵⁰ The CIA estimates that 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.⁵¹ The percentage in agriculture may now be under 15%.

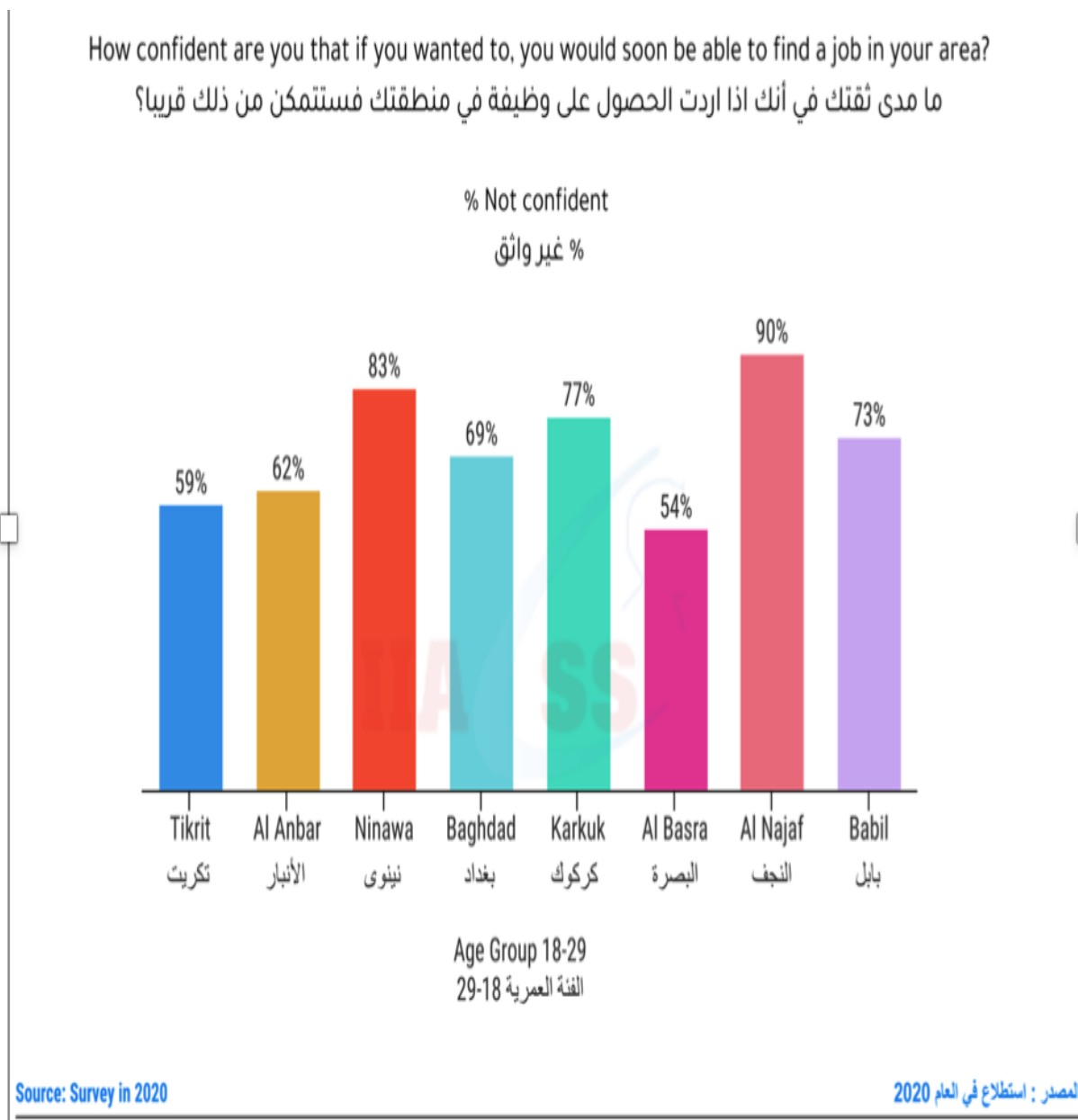
These figures show that most of Iraq's population already participates in a market-driven cash economy, and that virtually all new employment will be dependent on market forces and the growth of the private service sector or new private industries.

At the same time, job growth now falls far short of the levels that are needed. An IIACSS poll conducted in 2020 of Iraqis of ages 18-29 makes this all too clear. The results are shown in **Chart Eleven**. These results differ by region, but show that when Iraqis of prime employment age were asked "How confident are you that if you wanted to, you would soon find a job in your area," the percentages that said they were not confident ranged from 54% in Basra to 69% in Baghdad to 90% in Najaf. This reflects similar trends in other surveys and work by the Arab Development Reports that warn that many believe the only real source of jobs is influence or bribery.

The required level of job creation cannot take place without major industrial and agricultural reform, a steady expansion of the service sector, and equal reform of 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.

There are also links to Iraq's security problems. There are only vestigial future opportunities to create new rural jobs or revert to subsistence farming. These are options that already do not exist for most people who have been involved in sectarian and ethnic fighting or in the battles against ISIS. It is equally clear that the regressive ideology of ISIS would make this aspect of Iraq's economic crisis far worse if ISIS ever did gain real power and attempt to revert to some neo-Salafi form of economy, or if Iraq's current economic dependence on Iran already makes its employment and development situation worse.

Chart Eleven: Coronavirus Crisis Confidence in Job Opportunities



Source: IIACSS (almustakila), "Impact of COVID-19 on unemployment in Iraq, June 23, 2020," info@iiacss.org

Other Deep, Endemic Economic Structural Problems

These challenges interact with other deep structural problems in the Iraqi economy and problems, which helped to create a massive economic crisis in Iraq long before the start of the new Coronavirus and petroleum revenue crises that occurred in 2020. The CIA *World Factbook* estimated -- well *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 and also predated the current crises, 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 interaction between these problems and the sharp ethnic, sectarian, and regional differences in wealth, or on 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 6,300,000.⁵²

Guessing at the Impact of the Coronavirus and Petroleum Revenue Crises

All of Iraq's earlier economic problems now interact with Coronavirus, the oil production/export revenue crisis, and a global recession and competing demand for economic aid. The oil crisis is still developing in the face of this global recession which is driven in part by the Coronavirus crisis.

When it comes to the impact of the Corona crisis, 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, Iraq's official numbers were over 1,300 cases and 72 dead. However, its efforts to control the Coronavirus were limited and testing still had negligible national coverage.

The number of Iraqi cases did continue to increase, and Iraq returned to another lockdown on June 2, 2020 when a new wave of infections hit the country. By June 22, 2020, Iraq reported 32,676 cases and 1,167 dead. These figures still seemed substantially too low, and much of the rest of the Iraq Ministry of Health data seemed very uncertain.

Iraq's numbers were also exceptionally low compared to those of its neighbors. According to reporting by the *Washington Post*, Iran had 209,970 confirmed cases and 9,863 dead by the same date. This is compared with 22,407 cases and 66 deaths for Bahrain; 41,033 cases and 331 deaths for Kuwait; 32,394 cases and 140 deaths for Oman; 859,579 cases and 99 deaths for Qatar; 164,144 cases and 1,346 deaths for Saudi Arabia; and 45,683 cases and 305 deaths for the UAE.⁵³

As for the interaction between the Corona virus crisis and oil export revenue crisis, the EIA reported 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 (MMBD). 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.

In April 2020, the World Bank produced an analysis that reflected a rough initial estimate of the economic impact of the Coronavirus and oil export revenue crises. The study warned in detail that such models were uncertain. It also made it clear that Iraq's statistical reporting capacity was low – and that Iraqi government reporting only reached an average of 51% of the capacity needed even in pre-crises times. It did, however, estimate that, ⁵⁴

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 entrails 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 estimated 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.⁵⁵ 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. This reflected Iraq's participation

in a much longer regional trend during 2000-2022 that the World Bank labeled as a “low growth syndrome.”⁵⁶

The IMF published an updated ***Regional Economic Outlook: Middle East and Asia*** in mid-April 2020. Like the World Bank analyses, it could only guess at many aspects of the crises, but it did estimate that,⁵⁷

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.”

The IMF study projected that the MENA economy would contract by 3.3% 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% of GDP this year.⁵⁸

While the IMF did present a scenario calling for a relatively quick recovery in 2021, it 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.” 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 2020.⁵⁹ \

The IMF also warned that,

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.

The economic impacts of these crises kept increasing, however, and became so great that the World Bank issued an updated overview of Iraq on May 1, 2020, stating that,⁶⁰

Iraq is in a fragile situation. It faces a difficult fiscal crunch, arising from the collapse in international oil prices coupled with persistent political and social turmoil. This situation is exacerbated by the rapid spread of COVID-19, which the country’s healthcare system has limited capacity and limited fiscal buffers to contain and manage.

In October 2019, young Iraqis took to the streets in mass protests to denounce rampant corruption, poor services, and high unemployment. These demonstrations exposed the fragility of the Iraqi socio-economic

system. To appease demonstrators, the Government of Iraq (GOI) announced a stimulus package consisting of a considerable expansion in public sector employment, pensions, and transfers. This response was seen by some as ineffective, as boosting job creation, stimulating private sector participation, and enacting meaningful anti-corruption measures require longer-term structural reforms that did not feature in the package. Nevertheless, with record level oil production and agricultural yields, the expansion of electricity production, and fiscal loosening, overall GDP growth finished the year at 4.4%. Inflation remained subdued at an average of 0.2% in 2019. This was largely driven by cheaper imports from neighboring countries, prompting the GOI to raise tariffs and impose import bans on selected food items in response to calls from domestic producers.

The fiscal stimulus has reduced the 11.2% of GDP budget surplus in 2018 to 3% of GDP in 2019 and came at the expense of critical spending on both human capital and reconstruction. Indeed, although investment spending has slightly increased (by 5%), its execution rate has remained at only 45% of the amount budgeted. Most of the spending went to oil-related investments. Non-oil sector investment execution stood at a mere 18%, raising concerns over public service delivery, a rising infrastructure gap, and a stalled reconstruction program.

Going forward, the economic outlook for Iraq is challenging. The collapse in international oil prices and other unfavorable global conditions, including disruptions caused by the spread of COVID-19, are expected to hit Iraq hard, leading to a 5% contraction in its economy in 2020. In the absence of significant reforms to boost private sector participation, it will be difficult to jump-start the economy; growth is projected to gradually revert to its low-base potential of 1.9-2.7% in 2021–2022. The budget rigidities, compounded over the past two years, are expected to have detrimental fiscal effects amidst weaker oil-related revenues. At US\$30 an oil barrel and in the absence of planned consolidation measures, the budget deficit was projected to surge to a staggering 19% of GDP by end-2020. As a result, the GOI is expected to face a severe financing gap which could not only lead it to postpone vital infrastructure projects in service delivery sectors, as well as postponing human capital programs, but also reduces the country's ability to respond to post-COVID-19 recovery needs.

In short, Iraq is expected to face a persistent current account deficit in 2020, driven as well by lower oil prices and sticky imports. The gap is expected to be financed by the Central Bank of Iraq's reserves and State-Owned Banks, increasing the country's vulnerability in the near-term.

The Human Impact in Per Capita Terms

There is no clear way to estimate the impact of all these crises on Iraq's economy people, or how each crisis will worsen the lack of fair income distribution by sect, ethnicity, or region if suitable reforms do not take place. 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-crises 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-crises 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.⁶¹

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%.⁶²

The Economic Impact of National Security Spending

While the impact of Iraqi defense spending on its economy is uncertain, it is important to note that the IISS put Iraq’s national security spending as high as 9.12% of Iraq’s GDP in 2019. This was nearly five times the 2% of GDP that NATO set as a goal, and nearly three times the 3.2% being spent by the United States. Other sources do show radically lower percentages, but if these figures are correct, the need to defeat, ISIS had created an Iraqi economic crisis of its own.⁶³

One key danger affecting the Iraqi-U.S. strategic dialogue is that the U.S. has put so much pressure on its allies and partners to spend more, rather than wisely and with only limited regard to the state of their economy and economic needs. The figures for other Middle Eastern security partners with the U.S. often reflect the same trend towards spending too much as Iraq.

Key strategic partners like Bahrain spent \$1.5 billion in 2019 (3.93% of GDP), Egypt spent \$3.4 billion (1.54% ignoring billions in U.S. aid), Israel spent \$19.7 billion (5.82%), Jordan spent \$1.7 billion (4.2%), Kuwait spent \$6.4 billion (4.65%), Morocco spent \$3.6 billion (3.05%), and Saudi Arabia spent \$78.4 billion (10.06%). Two other key partners with high spending levels – Qatar and the UAE – did not report, but this still produces a total of \$114.7 billion. Iraq – which may become a U.S. partner – spent another \$20.5 billion. This compares with \$17.4 billion (3.80%) for a hostile Iran.⁶⁴

The Private Sector Challenge

Other challenges include 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 Twelve** shows, the World Bank rates Iraq as one of the worst countries in the world in terms of doing business, ranking 18th from the worst in the world in 2020 – both in creating new business opportunities and in allowing existing private sector and government industries to operate efficiently and competitively.

Chart Twelve: Iraq's Dismal Performance in the World Bank Ease of Business Rating

Rank	Economy	DB score	Rank	Economy	DB score	Rank	Economy	DB score
1	New Zealand	86.8	65	Puerto Rico (U.S.)	70.1	128	Barbados	57.9
2	Singapore	86.2	66	Brunei Darussalam	70.1	129	Ecuador	57.7
3	Hong Kong SAR, China	85.3	67	Colombia	70.1	130	St. Vincent and the Grenadines	57.1
4	Denmark	85.3	68	Oman	70.0	131	Nigeria	56.9
5	Korea, Rep.	84.0	69	Uzbekistan	69.9	132	Niger	56.8
6	United States	84.0	70	Vietnam	69.8	133	Honduras	56.3
7	Georgia	83.7	71	Jamaica	69.7	134	Guyana	55.5
8	United Kingdom	83.5	72	Luxembourg	69.6	135	Belize	55.5
9	Norway	82.6	73	Indonesia	69.6	136	Solomon Islands	55.3
10	Sweden	82.0	74	Costa Rica	69.2	137	Cabo Verde	55.0
11	Lithuania	81.6	75	Jordan	69.0	138	Mozambique	55.0
12	Malaysia	81.5	76	Peru	68.7	139	St. Kitts and Nevis	54.6
13	Mauritius	81.5	77	Qatar	68.7	140	Zimbabwe	54.5
14	Australia	81.2	78	Tunisia	68.7	141	Tanzania	54.5
15	Taiwan, China	80.9	79	Greece	68.4	142	Nicaragua	54.4
16	United Arab Emirates	80.9	80	Kyrgyz Republic	67.8	143	Lebanon	54.3
17	North Macedonia	80.7	81	Mongolia	67.8	144	Cambodia	53.8
18	Estonia	80.6	82	Albania	67.7	145	Palau	53.7
19	Latvia	80.3	83	Kuwait	67.4	146	Grenada	53.4
20	Finland	80.2	84	South Africa	67.0	147	Maldives	53.3
21	Thailand	80.1	85	Zambia	66.9	148	Mali	52.9
22	Germany	79.7	86	Panama	66.6	149	Benin	52.4
23	Canada	79.6	87	Botswana	66.2	150	Bolivia	51.7
24	Ireland	79.6	88	Malta	66.1	151	Burkina Faso	51.4
25	Kazakhstan	79.6	89	Bhutan	66.0	152	Mauritania	51.1
26	Iceland	79.0	90	Bosnia and Herzegovina	65.4	153	Marshall Islands	50.9
27	Austria	78.7	91	El Salvador	65.3	154	Lao PDR	50.8
28	Russian Federation	78.2	92	San Marino	64.2	155	Gambia, The	50.3
29	Japan	78.0	93	St. Lucia	63.7	156	Guinea	49.4
30	Spain	77.9	94	Nepal	63.2	157	Algeria	48.6
31	China	77.9	95	Philippines	62.8	158	Micronesia, Fed. Sts.	48.1
32	France	76.8	96	Guatemala	62.6	159	Ethiopia	48.0
33	Turkey	76.8	97	Togo	62.3	160	Comoros	47.9
34	Azerbaijan	76.7	98	Samoa	62.1	161	Madagascar	47.7
35	Israel	76.7	99	Sri Lanka	61.8	162	Suriname	47.5
36	Switzerland	76.6	100	Seychelles	61.7	163	Sierra Leone	47.5
37	Slovenia	76.5	101	Uruguay	61.5	164	Kiribati	46.9
38	Rwanda	76.5	102	Fiji	61.5	165	Myanmar	46.8
39	Portugal	76.5	103	Tonga	61.4	166	Burundi	46.8
40	Poland	76.4	104	Namibia	61.4	167	Cameroon	46.1
41	Czech Republic	76.3	105	Trinidad and Tobago	61.3	168	Bangladesh	45.0
42	Netherlands	76.1	106	Tajikistan	61.3	169	Gabon	45.0
43	Bahrain	76.0	107	Vanuatu	61.1	170	São Tomé and Príncipe	45.0
44	Serbia	75.7	108	Pakistan	61.0	171	Sudan	44.8
45	Slovak Republic	75.6	109	Malawi	60.9	172	Iraq	44.7
46	Belgium	75.0	110	Côte d'Ivoire	60.7	173	Afghanistan	44.1
47	Armenia	74.5	111	Dominica	60.5	174	Guinea-Bissau	43.2
48	Moldova	74.4	112	Djibouti	60.5	175	Liberia	43.2
49	Belarus	74.3	113	Antigua and Barbuda	60.3	176	Syrian Arab Republic	42.0
50	Montenegro	73.8	114	Egypt, Arab Rep.	60.1	177	Angola	41.3
51	Croatia	73.6	115	Dominican Republic	60.0	178	Equatorial Guinea	41.1
52	Hungary	73.4	116	Uganda	60.0	179	Haiti	40.7
53	Morocco	73.4	117	West Bank and Gaza	60.0	180	Congo, Rep.	39.5
54	Cyprus	73.4	118	Ghana	60.0	181	Timor-Leste	39.4
55	Romania	73.3	119	Bahamas, The	59.9	182	Chad	36.9
56	Kenya	73.2	120	Papua New Guinea	59.8	183	Congo, Dem. Rep.	36.2
57	Kosovo	73.2	121	Eswatini	59.5	184	Central African Republic	35.6
58	Italy	72.9	122	Lesotho	59.4	185	South Sudan	34.6
59	Chile	72.6	123	Senegal	59.3	186	Libya	32.7
60	Mexico	72.4	124	Brazil	59.1	187	Yemen, Rep.	31.8
61	Bulgaria	72.0	125	Paraguay	59.1	188	Venezuela, RB	30.2
62	Saudi Arabia	71.6	126	Argentina	59.0	189	Eritrea	21.6
63	India	71.0	127	Iran, Islamic Rep.	58.5	190	Somalia	20.0
64	Ukraine	70.2						

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.

Source: World Bank, *Doing Business 2020: Comparing Business Regulation in 190 Economies*, p. 104.

Meeting Iraq's Economic Challenges

There are many good reasons why Secretary Pompeo warned that a successful strategic dialogue required an Iraqi government that moved “away from the old sectarian model that ended up with terror and corruption.” It is hard to believe that any Iraqi-U.S. strategic dialogue can have a meaningful result that does not give as much emphasis to Iraq’s civil economy, to budget reform, and to making sure that Iraq’s economy evolves in ways that meets the needs of its divided peoples as it does to Iraq’s other two “ghosts.”

It is also all too clear that there is no credible future where Iraq can rely on oil wealth, although it can certainly benefit from it if Iraq can use it more wisely. It is also clear that Iraq will also require far more private sector and external investment at a time when other nations are likely to become far more competitive in both offering incentives and reducing the barriers shown in **Chart Twelve**.

Once again, however, it is equally important to point out that the U.S. can only aid an Iraq that proves that it can help itself. No one from the outside can develop the kind of plans and reforms Iraq will need. No outside source of economic aid can overcome Iraq’s political barriers to reform and or levels of corruption. Moreover, economic aid in grant form is likely to be extremely limited in a post-Coronavirus world, and Iraq will scarcely be the only country that needs such aid. It is almost certain that Iraq will become more dependent on options like World Bank and IMF loans – as well as on other loans when it can get them.

Like other nations in need, Iraq cannot misstate or understate its problems and expect to solve them. It cannot rely on donor conference and pledges of reform. Iraq now faces a world in which it will have to show that all forms of loans and aid will be used honestly and effectively, and it needs to compete internationally for loans just as much as it must for aid. Iraq faces a world where it will have to deal with the fact that both aid and loans are likely to become far more conditional, and those conditions will extend to fiscal controls and management, meeting cost and time schedules, and producing effective results. Meeting valid economic and humanitarian needs in ways that produce actual results is one thing; throwing money down a rat hole is another.

Iraq has some excellent economists, planners, and technocrats who seem to understand this. So do at least some Iraqi leaders. These realities may help explain why Iraq’s new Prime Minister Mustafa al-Kadhimi gave an interview in *Baghdad Today* on May 20, 2020, and stated that,⁶⁵

“When I assumed responsibility, I found only an almost empty treasury and an unenviable situation after 17 years of change... Our sovereignty continued to be deficient, violated and doubted... The past period did not see any [effort to] upgrade vital sectors as the industry, investment, food self-sufficiency and others.”

He also stated that the resulting economic crises affected all state institutions and aspects of Iraq’s development and economic revival, and he called on all of Iraq’s political blocs to vote in order to fill the still missing gaps in his cabinet.⁶⁶

It is also notable that Present Trump made economic issues a key point of his phone call to congratulate Kadhimi on his appointment. Trump stated that the United States would, “provide the necessary economic assistance to support the Iraqi economy.” As the conclusion to this analysis shows, Iraq’s economic crises are so serious that they should force the U.S. to look beyond Iraq’s military and security challenges.⁶⁷

Here, however, it is important to note that the United States, other aid donors, and Iraq’s central government must make the same efforts to ensure that Iraq’s economic efforts and development find balanced efforts to the different needs of its Arab Shi’ites, Arab Sunnis, Kurds, and mixed

area as to its reforms in politics, governance, and security. Iraq does not simply need to increase the size of its economy, it needs to create a pattern of development that addresses its people's key grievances doing so transparently and also by adjusting to regional, provincial, and local needs. Its problems are far too serious to meet such expectations quickly, but it can show that it will meet them over time and will respond to legitimate popular criticism and demands.

Iraq's Real Security Needs and Its "Ghost-like" Security Posture

Security is the final set of "ghosts" that must be addressed in shaping a meaningful strategy for Iraq and for a successful U.S. strategic relationship with Iraq. Iraq faces critical current challenges from the surviving elements of ISIS and from Iran. It also, however, must deal with the other "ghosts" of its past – particularly its ethnic and sectarian divisions and the impact of the long series of internal conflicts and crises that date back to Iraq's founding, the 1960s, the Iran-Iraq War, the First Gulf War, and the U.S.-led invasion in 2003.

In some ways, Iraq's security "ghosts" are as old as human history. The struggles between the peoples in the "land of the two rivers" – and between them and their neighbors – are at least that old. From a more current perspective, however, tensions between Iraq and Iran have been a problem since the fall of the Iraqi monarchy, and Iraq's ethnic and sectarian divisions have led to internal conflicts and tensions since the Kurdish revolt that began in the early 1960s.

The Iranian revolution in 1979 and the Iran-Iraq War from 1980-1988 are key influences on modern Iraq. So is the First Gulf War to liberate Kuwait in 1990-1991, as well as the long confrontation between Iraq and the UN over Iraq's postwar behavior that led the imposition of sanctions, the creation of a separate Kurdish zone, and confrontations over the search for weapons of mass destruction that lasted from 1991 to 2003.

The U.S. led-invasion of Iraq in 2003 then created "ghosts" of its own. The U.S. drove Saddam Hussein from power without any clear plan to rebuild and restructure Iraq. It not only effectively destroyed Iraq's military forces, but this led to a fundamental shift in the balance of power between Iraqi Arab Sunnis, Arab Shi'ites, and Kurds that favored Arab Shi'ites in most of Iraq and led the Kurdish Regional Government to take control of key oil fields in the north. This helped lead to the rise of Sunni extremism and violence that has resulted in two wars against extremists and still threatens Iraq's national unity and independence.

These series of wars and security crises from 1979 to the present – and the related political and economic crises – have now lasted well over four decades. They have also led to constant changes in the levels of local security, changes in national and local security forces, changes in policing and the rule of law, the emergence of new threats and tensions, and the forced movement/displacement of Iraqi civilians.

The end result is that most Iraqis have never known real stability and security. The CIA World Factbook indicates that the mean age of Iraqis is only 21 years, and that well over 70% of all Iraqis are under 40. This means vast majority have never known true security and stability. Many have been displaced or driven out of the country, and many have had no reason to trust either the central government's security forces or the justice system.

Security "Ghosts:" The U.S. Can Help but Ultimately, Iraq Must Again Help Itself

Iraq now needs to create security forces that can deal with its immediate internal and outside threats. It also needs stable security forces that actually serve and protect its people, a rule of law that reassures and helps unite the Iraqi people, and a secure political and economic environment where Iraqi people see a safe and stable future.

Finding the best ways to meet these challenges and actually implement them are tasks that have to be addressed largely by Iraq – although the United States and other outside powers can provide

substantial aid if Iraq develops the right plans and policies. This includes meeting the 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 dealing with the political, economic, and civil challenges to security.

Some tasks, like dealing with Iraq's endemic sectarian, ethnic, and corruption issues, and 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.

Iraq's efforts to rebuild and unify its forces will 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 – 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.

At the same time, Iraq will be dependent on outside help, and needs outside expertise and aid. The partial rebuilding of Iraqi combat forces, which made the break-up of the ISIS caliphate possible, involved intense combat – and 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 a major resurgence of terrorism, sectarian warfare, internal conflict, defending against outside threats, or the can resist outside pressure from states like Iran and Turkey. Iraq will need outside aid, and the U.S. and its coalition partners can provide technical aid, training, and security force assistance that Iraq will need in many areas.

Iraq's Real Security Priorities

If the U.S. is to be an effective security partner it must understand all of Iraq security needs. The most U.S. immediate security 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.

These are very real priorities from Iraq's viewpoint as well, but Iraq's security priorities are broader, and the other security challenges it faces are as important to its future security and stability – if not more important. Iraq must address both the causes and the threats created by its sectarian and ethnic tensions and violence – not just deal with the most violent extremist movements like ISIS. Dealing with today's worst threat serves only a limited purpose if it cannot prevent the threats of tomorrow. This means it will need aid in reforming and rebuilding its security forces at every level, and in creating a functional court system and effective local policing.

The following list of eight major security threats and priorities illustrates these points, and it shows the extent to which current Iraqi security efforts are now so limited that they make up Iraq's third “ghost.” They are all areas where Iraq make further major reforms on its own although it can receive important assistance from an outside powers like the United States:

- **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 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 geographic dividing lines in a country with Iraq's level of population growth, 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 means find affordable solutions to creating effective security forces.** The previous analyses have shown that Iraq needs all of its available assets for economic development to create civil stability, but reporting by the ISIS indicates that Iraq has recently spent some 9%-10% of its GDP on its military forces and fighting ISIS – although other sources show radically lower levels.⁶⁸ Iraq lacks a clear source of funds to modernize its military forces to deal with external threats like Iran and Turkey, deal with ISIS and other extremist threats, bring its PMFs under full control, and pay for a less corrupt and divisive set of police and internal security forces as well as the overall legal system. Choosing between security and economic stability is a critical dilemma.
- **Security means protecting human rights, as well as earning the trust and support of all the people.** Security forces must serve the people, not simply defeat the threat. They must win confidence and trust from all the different factions and elements in their area of operation or jurisdiction. They must protect civil rights, limit bribery and corruption as much as possible, and work with courts that function effectively that are without prejudice or bribes and operate on a timely basis. Internal security forces must limit the use of force, arrests, forced entry, and seizure as much as possible. Put bluntly, much of Iraq's violent extremism is a response to the government's misuse of security forces, as are the violent popular demonstrations and the creation of local armed factions. To paraphrase a grim lesson the U.S. is still learning, injustice and rebellion go hand in hand.

Security Threats to Iraq that Directly Involve the United States

Upcoming security dialogues must address all of these security priorities, but they must also address four more immediate 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.⁶⁹

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.**⁷⁰ 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 Mobilization 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.

In an interview on June 18, 2020, the U.S. Central Command in Iraq stated that it had tracked a steady flow of rocket attacks on facilities housing U.S. troops in Iraq, including Camp Taji and Baghdad, which might be attempts by Iranian-backed groups to force an American exit, despite the fact that these attacks had little effect.⁷¹

Data provided by the CJTF-OIR staff on June 18, 2020, showed there had been 21 indirect fire attacks on coalition bases for 2019, which included an estimated 107 rockets. In 2020, there has already been 26 such attacks, with seven in June.⁷²

Three attacks were of note. A January 8, 2020 rocket attack on al-Asad air base caused traumatic brain injuries in more than 100 U.S. troops. The most severe attack took place on Kirkuk in December 2019 when more than 30 rockets were fired on the position. A March 2020 attack on Camp Taji involved as many as 20 rockets. The most recent attacks occurred in single digits, sometimes only one rocket.

Some attacks have fallen as far as 1.5km from their target. Many of the rockets were Russian-made “Little Katy” or Katyusha rockets. They are unguided rockets and have been used by the Hezbollah for years. Smaller variants can reach ranges of about 4 km and carry a 10-20 kg warhead with high explosives.

So far, Iraq has lacked the political cohesion for its leaders to take a clear position on the future of the PMFs, but any analysis on the history of similar militia with strong ties to a given political faction 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 part of a 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 is no longer 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***.⁷³

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.

Putting Security in a Popular Perspective

It is also important to link the analysis of set of Iraq's security "ghosts" and priorities with the critical role they play in shaping popular faith in the Iraqi government and Iraqi political stability. This is as important in dealing with security as it is in dealing with politics/governance and economics. The polling results shown in **Chart Thirteen** make this all too clear. Iraqis do show considerable trust in the Iraqi central government's military and security forces, but they also show a high degree of trust in the Popular Military Forces. Most importantly, they do not feel secure – or that general security is improving – in spite of the break-up of the ISIS "caliphate."

The challenge for both the Iraqi and U.S. governments in creating a successful security dialogue is not simply to build a fully integrated mix of Iraqi central government forces that can deal with ISIS or deter and defend against outside threats. It is to create sufficient popular confidence in security to remove as much ethnic and sectarian tension as possible, to establish broad faith in the adequacy of political leadership and governance, and to create an economic environment where both Iraqis and outside investors and technical exports trust in their security and the rule of law.

This means the U.S. advisory efforts that emerge out of a security dialogue must have this same broad focus in shaping any new Iraqi-U.S. security relationships. Concentrating on the remnants of ISIS, Iran, and PMFs will not give Iraq's new government either the popular support or stability it needs.

Chart Thirteen: Pre-Coronavirus/Petroleum Crisis Polls on Popular Views of Security and the Security Forces⁷⁴

In your opinion, how effective has the central government in Baghdad been in dealing with each of the following issues—very effective, somewhat effective, somewhat ineffective, or very ineffective? a. Improving general security						Total
	effective	ineffective		[Don't show] Don't know	[Don't show] No answer	
	25.8%	73.5%		.7%	.0%	100.0%

How much confidence do you have in the following to improve the situation in Iraq—a great deal, fair amount, not very much, or none at all? c. Iraqi Security Forces						Total
Great deal	Fair amount	Not very much	None at all	[Do not read] Don't know	[Do not read] No answer	
29.3%	31.3%	14.9%	23.0%	1.3%	.2%	100.0%

How much confidence do you have in the following to improve the situation in Iraq—a great deal, fair amount, not very much, or none at all? i. Counter Terrorism Service (CTS)						Total
Great deal	Fair amount	Not very much	None at all	[Do not read] Don't know	[Do not read] No answer	
37.7%	27.6%	14.4%	17.3%	2.5%	.5%	100.0%

How much confidence do you have in the following to improve the situation in Iraq—a great deal, fair amount, not very much, or none at all? g. Popular Mobilization Forces						Total
Great deal	Fair amount	Not very much	None at all	[Do not read] Don't know	[Do not read] No answer	
26.3%	23.2%	10.4%	38.4%	1.3%	.4%	100.0%

. For each one, please tell me whether you think it describes the situation in our country very well, somewhat well, somewhat poorly, or very poorly. e. The courts treat everyone equally under the law						Total
	well	poor		Don't know	No answer	
	53.1%	45.2%		1.6%	.1%	100.0%

Source: Munquith Dagher, *Al Mustakilla Research Group (IIACSS)*, May 20, 2020.

Iraq Counterterrorism Terrorism and the Remaining Threat from ISIS

The Iraq and the U.S. can only begin such a broad security partnership that can deal with all of these issues including Iraqi popular opinion, if they can find ways to deal with two immediate issues: the remnants of ISIS and the Iranian-backed Popular Mobilization Forces (PMFs). ISIS is in some ways the easiest. It may pose an immediate threat, but there is no major faction in Iraq today that supports ISIS other than its remaining fighters – many of which are now prisoners.

The U.S. State Department's annual *Country Reports on Terrorism* provide the description of ISIS shown in **Chart Fourteen**. At the same time, the report warns that Iraq still has serious limits to its counterterrorism capabilities. These limits are described as follows:

Border security remained a critical capability gap, as the ISF has limited capability to fully secure Iraq's borders with Syria and Iran. While border security along the periphery of the Iraqi Kurdistan Region (IKR) is robust and administered by various security units under the Kurdish Minister of Interior, the border with Syria south of the IKR remained porous and vulnerable to ISIS and other terrorist networks, as well as to smuggling and other criminal enterprises. Iran-backed PMF units continued to maintain a presence at Iraq's major border crossings. The Iraqi government re-opened the Iraq-Syria border crossing in al-Qa'im under Border Police control, though various PMF units positioned themselves to the north and south of the main checkpoint.

Iraq and the United States partnered to close a gap in border security through broader deployment of and upgrades to the U.S.-provided PISCES. The Ministry of Interior shared biometric information upon request on known and suspected terrorists and shared exemplars of its identity documents with the United States, INTERPOL, and other international partners, though there remained no agreement or arrangement in place that would support the implementation of an intended U.S. program to facilitate biometric information-sharing on both terrorist and criminal suspects.

In the Disputed Internal Boundaries, ISIS continues to exploit the security vacuum between Iraqi Security Forces and Peshmerga Forces. Recent attacks in the northern Diyala and activities along Qarachogh Mountain indicate ISIS presence. Counterterrorism efforts in the Disputed Internal Boundaries areas have been hampered by the lack of coordination between Peshmerga and ISF, mainly due to the relationship between the KRG and the Government of Iraq. Additionally, Iraq has taken preliminary steps to partner with UNITAD in the collection of digital, documentary, testimonial, and forensic evidence to support the prosecution of ISIS members for their atrocity crimes committed in Iraq.

Experts differ over just how serious the threat posed by the remnants of ISIS and other extremist groups really is. There is, however, little doubt that the threat is still real. Work by Michael Knights and Alex Almeida provides a good graphic summary of the patterns in these attacks from 2018 through early 2020.⁷⁵ These graphics are shown in **Chart Fifteen**, and show that a surprisingly high level of such attacks continue.⁷⁶

Chart Fourteen: U.S. State Department Summary Description of ISIS – Part One

Aka al-Qa'ida in Iraq; al-Qa'ida Group of Jihad in Iraq; al-Qa'ida Group of Jihad in the Land of the Two Rivers; al-Qa'ida in Mesopotamia; al-Qa'ida in the Land of the Two Rivers; al-Qa'ida of Jihad in Iraq; al-Qa'ida of Jihad Organization in the Land of the Two Rivers; al-Qa'ida of the Jihad in the Land of the Two Rivers; al-Tawhid; Jam'at al-Tawhid Wa'al-Jihad; Tanzeem Qa'idat al Jihad/Bilad al Raafidaini; Tanzim Qa'idat al-Jihad fi Bilad al-Rafidayn; The Monotheism and Jihad Group; The Organization Base of Jihad/Country of the Two Rivers; The Organization Base of Jihad/Mesopotamia; The Organization of al-Jihad's Base in Iraq; The Organization of al-Jihad's Base in the Land of the Two Rivers; The Organization of al-Jihad's Base of Operations in Iraq; The Organization of al-Jihad's Base of Operations in the Land of the Two Rivers; The Organization of Jihad's Base in the Country of the Two Rivers; al-Zarqawi Network; Islamic State of Iraq; Islamic State of Iraq and al-Sham; Islamic State of Iraq and Syria; ad-Dawla al-Islamiyya fi al-'Iraq wa-sh-Sham; Daesh; Dawla al Islamiya; Al-Furqan Establishment for Media Production; Islamic State; ISIL; ISIS; Amaq News Agency; Al Hayat Media Center; Al-Hayat Media Center; Al Hayat

Description: Al-Qa'ida in Iraq (AQI) was designated as an FTO on December 17, 2004. In the 1990s, Jordanian militant Abu Mus'ab al-Zarqawi organized a terrorist group called al-Tawhid wal-Jihad to oppose the presence of U.S. and western military forces in the Middle East as well as the West's support for, and the existence of, Israel. In late 2004, Zarqawi joined al-Qa'ida (AQ) and pledged allegiance to Usama bin Laden. At that time, his group became known as al-Qa'ida in Iraq (AQI). Zarqawi led the group in Iraq during Operation Iraqi Freedom to fight against U.S. and Coalition Forces until his death in June 2006.

In October 2006, AQI publicly renamed itself the Islamic State in Iraq. In 2013, it adopted the moniker ISIS to express its regional ambitions as it expanded operations to include the Syrian conflict. ISIS was led by Abu Bakr al-Baghdadi, who declared an Islamic caliphate in June 2014, until he was killed on October 27, 2019. In October 2017, the U.S. military fighting with local Syrian allies announced the liberation of Raqqa, the self-declared capital of ISIS's so-called "caliphate." In December 2017, then Iraqi Prime Minister Haidar al-Abadi announced the territorial defeat of ISIS in Iraq. In September 2018, the Syrian Democratic Forces, with support from the U.S.-led Global Coalition to Defeat ISIS began a final push to oust ISIS fighters from the lower Middle Euphrates River Valley in Syria. March 2019 marked the full territorial defeat of ISIS's so-called caliphate.

Activities in Iraq : ISIS has conducted numerous high-profile attacks, including IED attacks against U.S. military personnel and Iraqi infrastructure, videotaped beheadings of U.S. citizens, suicide bombings against both military and civilian targets, and rocket attacks. ISIS perpetrated these attacks using foreign, Iraqi, and Syrian operatives. In 2014, ISIS was responsible for most of the 12,000 Iraqi civilian deaths that year. ISIS is heavily involved in the fighting in Syria, and has participated in numerous kidnappings of civilians, including aid workers and journalists. In 2015 and 2016, ISIS claimed responsibility for several large-scale attacks in Iraq and Syria. In July 2016, ISIS claimed responsibility for a car bombing at a popular shopping center in Baghdad that killed nearly 300 people, making it the single deadliest bombing in Iraq's capital city since 2003.

ISIS continued its attacks throughout 2017. In February 2017, ISIS killed 56 people in a series of attacks in Baghdad. In early April, the group killed 33 Syrians in eastern Syria, and on the same day, killed another 22 people in Tikrit, Iraq. In June, ISIS gunmen and suicide bombers killed more than a dozen people in two separate attacks in Tehran, including an attack inside the Parliament building. In September, ISIS killed over 80 people in Nasiriyah, Iraq, an area frequented by Shia Muslims on pilgrimage.

Since at least 2015, the group has integrated local children and children of FTFs into its forces and used them as executioners and suicide attackers. ISIS has systematically prepared child soldiers in Iraq and Syria using its education and religious infrastructure as part of its training and recruitment of members. Further, since 2015, ISIS abducted, raped, and abused thousands of women and children, some as young as eighty years old. Women and children were sold and enslaved, distributed to ISIS fighters as spoils of war, forced into marriage and domestic servitude, or subjected to physical and sexual abuse.

ISIS also directs, enables, and inspires individuals to conduct attacks on behalf of the group around the world, including in the United States and Europe.

Strength: Estimates suggest ISIS fighters in Iraq and Syria number between 11,000 and 18,000, including several thousand FTFs.

Chart Fourteen: U.S. State Department Summary Description of ISIS – Part Two

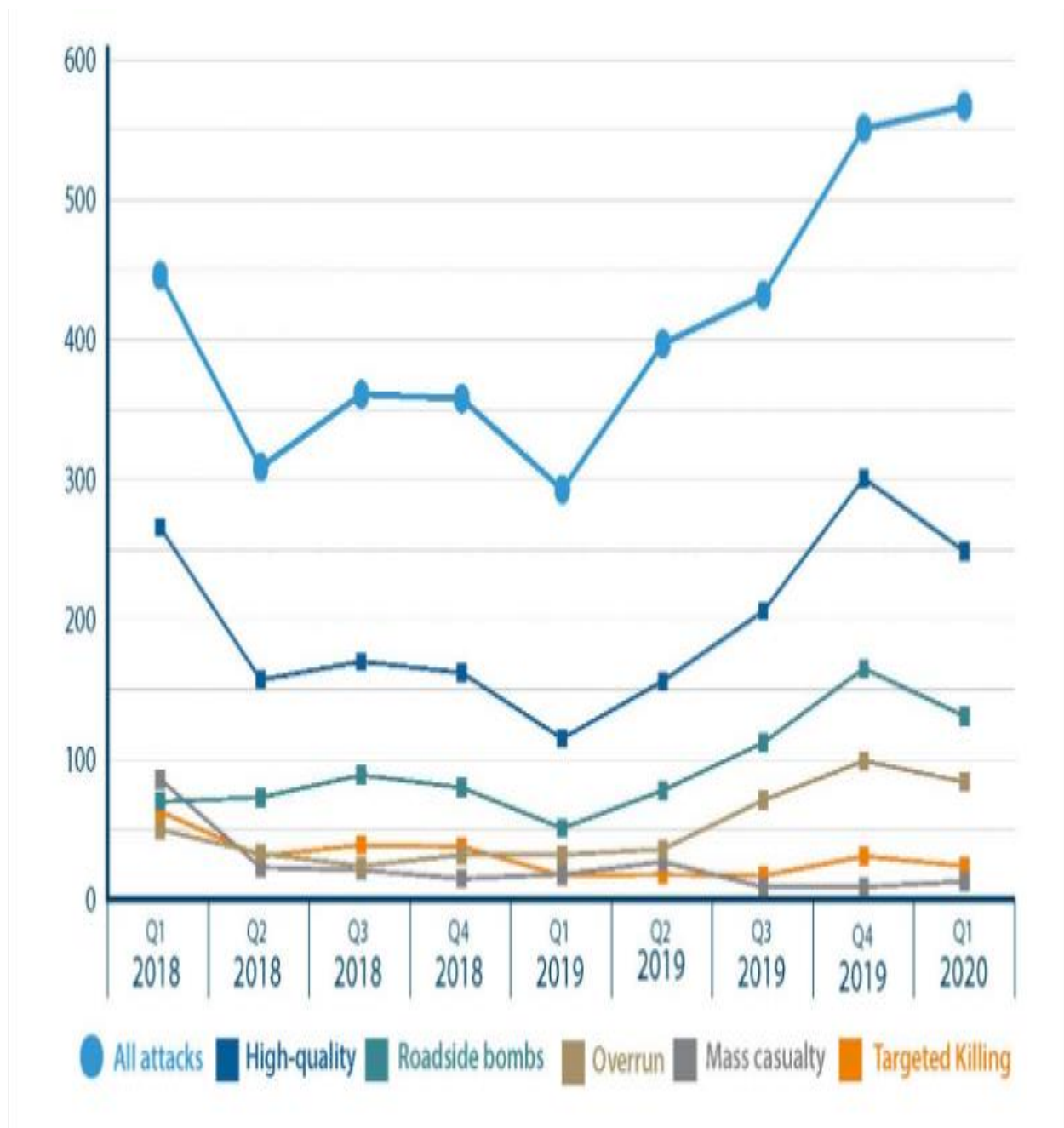
Location/Area of Operation: Iraq and Syria, with branches and networks around the world.

Funding and External Aid: ISIS received most of its funding from a variety of criminal activities in Iraq and Syria. Criminal activities included extortion of civilian economies, smuggling oil, and robberies. ISIS also maintains stockpiles of as much as hundreds of millions of dollars scattered across Iraq and Syria it looted during its occupation of those countries in 2013 to 2019. ISIS continues to rely on trusted courier networks and money services businesses to move its financial resources within and outside of Iraq and Syria. Before ISIS's territorial defeat, targeted counterterrorism operations and airstrikes served to sever critical financial networks, reduce the group's cash reserves in Iraq and Syria, and degrade ISIS's ability to exploit local resources such as oil. The territorial defeat of ISIS which eliminated its control of territory in Syria in 2019 reduced ISIS's ability to generate, hold, and transfer its financial assets. Despite this, ISIS continues to generate revenue from criminal activities through its many clandestine networks in Iraq and Syria, and provides significant financial support and guidance to its network of global branches and affiliates.

Iraqi Security Forces (ISF) remained in nominal control of territory liberated from ISIS. ISIS continued to present a serious threat to Iraqi stability, undertaking targeted assassinations of police and local political leaders and using IEDs and shooting attacks directed at both government and government-associated civilian targets, in support of a violent campaign to reestablish a caliphate. ISIS sought to reestablish support among populations in Ninewa, Kirkuk, Diyala, Salah ad Din, and Anbar provinces, especially in the areas of disputed control between the Kurdistan Regional Government (KRG) and the federal government, where the division of responsibility for local security is unclear. Although ISIS maintained the capability to conduct deadly terrorist attacks in Iraq, these attacks resulted in fewer casualties in 2019 than in previous years.

ISIS has increased its presence outside the conflict zone in Iraq and Syria. In particular, ISIS core creates financial and logistical hubs in Central and East Africa, North Africa, and West Africa. ISIS also announced that the group had established two new branches in Pakistan and India.

Source: Adapted from U.S. State Department, *Country Reports on Terrorism, 2019*, June 2020, pp. 265-268

Chart Fifteen: ISIS Attacks in Iraq by Type from 2018-2020

Source: Michael Knights and Alex Almeida, "Remaining and Expanding: The Recovery of Islamic State Operations in Iraq in 2019-2020," *Combating Terrorism Center at West Point*, (CTC Sentinel, Vol. 13, Issue 5,) May 2020, <https://ctc.usma.edu/remaining-and-expanding-the-recovery-of-islamic-state-operations-in-iraq-in-2019-2020/>

The *LIG Quarterly Report to Congress* seems to be the most authoritative open source indication of how the U.S. government and intelligence community views this threat in 2020.⁷⁷ The LIG report provides the data shown in **Chart Sixteen**, and various sections of the LIG report state that,⁷⁸

March 23, 2020, marked one year since Coalition forces defeated ISIS in Baghouz, Syria, the final battle ending the organization's territorial control in Iraq and Syria... despite a brief spike in attacks in late 2019 to avenge the deaths of ISIS leader Abu Bakr al Baghdadi and spokesman Abu Hasan al Muhajir, ISIS capabilities have remained at a "low level." It said that ISIS continues operations with small arms, improvised explosive devices (IED), and indirect fire attacks, such as those that employ mortars or rockets, in Iraq and Syria...

...ISIS remains largely relegated to remote areas and is unable to recruit from, or gain control over, local populations.⁷⁵ However, it said that ISIS is more successful in recruiting small numbers of people in displacement camps, particularly in the Al Hol camp in Syria... The DIA, citing open-source reporting, said ISIS is able to conduct localized recruiting in Iraq. CJTF-OIR said that it expects ISIS to focus on preserving its logistic and staging areas, and to take defensive measures to prevent security forces from disrupting activity in those areas. However, those actions are limited in scope, duration, and the number of fighters involved, indicating that ISIS lacks the resources to conduct an attack campaign...

USCENTCOM Commander General Kenneth McKenzie Jr. reported to Congress in March that the opinion among most of the U.S. intelligence community is that "without sustained pressure levied against it, ISIS has the potential to reconstitute in Iraq and Syria in short order, beyond the current capabilities of the United States to neutralize it without a capable, partnered ground force..."

Earlier in the quarter, several officials also stated that despite its low-level activities, ISIS is rebuilding itself as an insurgent organization. In January, Ambassador James Jeffrey, the U.S. Special Envoy for the Global Coalition to Defeat ISIS, said, "We are seeing ISIS come back as an insurgency, as a terrorist operation, with some 14,000 to 18,000 terrorists between Syria and Iraq." Jeffrey also stated that the United States did not plan to withdraw its troops from Syria "in the near future..."

A United Nations assessment in January stated that ISIS has "begun to reassert itself" in remote areas of both Iraq and Syria, noting "increasingly bold attacks" and calls by ISIS for breaking ISIS fighters from detention facilities. It stated that ISIS exploits the porous Iraq-Syria border to move fighters...

...ISIS continued to wage a low-level insurgency in Iraq this quarter. According to CJTF-OIR, ISIS waged this insurgency primarily in the northern and western provinces. ISIS operated from sparsely populated desert and mountainous areas, particularly in Anbar province and the Jazeera desert. ISIS also operated from a largely ungoverned swath of territory, spanning across parts of Kirkuk, Diyala, Salah ad Din, and Ninewa provinces, that both the central Iraqi government and the KRG claim. Previous Lead IG reports have discussed the challenge of securing this so-called "seam" between central government forces and those belonging to the KRG. Efforts to create joint security mechanisms and conduct operations in the "seam" have met with limited success.

USCENTCOM in February described ISIS as "regrouping and reforming" in the Makhmour Mountains in northern Iraq, while the 2021 DoD budget justification for overseas contingency operations said that ISIS is expected to seek to re-establish governance in northern and western areas of Iraq. CJTF-OIR reported that ISIS remains largely relegated to remote territory and is unable to recruit from or gain control over local populations. However, the DIA reported that, based on open-source information, ISIS is able to recruit locally.

CJTF-OIR reported that it did not observe any change in ISIS's capabilities this quarter compared to last quarter. Last quarter, CJTF-OIR reported that ISIS in Iraq maintained freedom of movement and the ability to hide and transport fighters and materiel in rural areas, and did not appear either to grow stronger or to lose its footholds north and west of Baghdad.

The DIA reported that it did not see any indication of a change in ISIS's strategy in Iraq, based on ISIS activity in Iraq this quarter and a speech by ISIS spokesperson Abu Hamzah al Qurayshi on January 27. According to media sources and organizations that track ISIS propaganda, al Qurayshi's 37-minute speech,

broadcast on the ISIS propaganda channel al Furqan Media, restated the ISIS narrative of endurance in the face of hardship and strategic setbacks. CJTF-OIR reported that the ISIS spokesperson reiterated the need for patience as the group wages a “protracted resistance,” and called for a focus on “clandestine” activity to “spread influence” throughout the Coalition’s areas of operation. CJTF-OIR said that the speech “aligns with the low-level activity” under the resurgence model that “ISIS adopted shortly before the fall of the physical caliphate in March 2019...

The DIA reported to the DoD OIG that ISIS did not increase its attacks or change its targets during the Coalition’s pause in operations against ISIS, which began on January 1, and lasted for approximately 1 month.¹ During a press briefing on January 23, U.S. Air Force Major General Alexis Grynkeiwich, the OIR Deputy Commander for Operations, said “ISIS hasn’t been able to exploit any gaps or seams that may have arisen” because of the pause. The DIA noted that the pause may not have been long enough to observe an increase in attacks.

Major General Grynkeiwich said that part of the reason that ISIS was unable to exploit the pause was because the ISF continued operations against ISIS without Coalition support. He characterized the ISF operations as “fairly aggressive, even in the absence of the types of partnering that we were doing previously...” The DIA reported that it did not observe any change in ISIS’s tactics this quarter. It said that while ISIS conducted a greater number of moderately complex attacks in northern Diyala, the attacks conformed to ISIS’s normal tactics, techniques, and procedures in the area.

According to open source data compiled by the DoD OIG, ISIS claimed more than 250 attacks in Iraq this quarter. These reports indicated that ISIS continued to use assaults, IEDs, and assassinations as its primary methods of violence. It also employed snipers and mortars. CJTF-OIR reported that to a much lesser extent, ISIS employed rockets, car bombs, sabotage, and kidnappings.

ISIS activity in Diyala outpaced the other provinces in which it is active. According to open-source data, ISIS carried out 80 attacks in Diyala, followed by Anbar, Kirkuk, Ninewa, and Salah ad Din provinces. Baghdad province experienced slightly more than 20 attacks this quarter, however many of these attacks were unclaimed and resulted in few casualties.

According to DoD OIG analysis, Diyala province also experienced the most severe ISIS attacks, in addition to the highest number. Areas around Baqubah and Khanaqin, located in central and northern Diyala province, experienced the deadliest attacks. An area of Baghdad province north of the capital suffered similarly deadly attacks. Areas around Mosul and along mountainous regions in Kirkuk, Irbil, and Salah ad Din provinces also experienced frequent attacks, as well as around the town of Rutbah in Anbar province.

...DIA stated that ISIS remains most active in the Rutbah district, the Hadr desert and Ba’aj in western Ninawa province; the Tarmiyah area north of Baghdad; northern Salah ad Din Province; the Hawijah district of Kirkuk province; northern Diyala province; and the Makhmour, Makhul, Palkhana, and Hamrin mountains, which span several northern provinces and include areas disputed between Iraqi and Kurdish security forces.

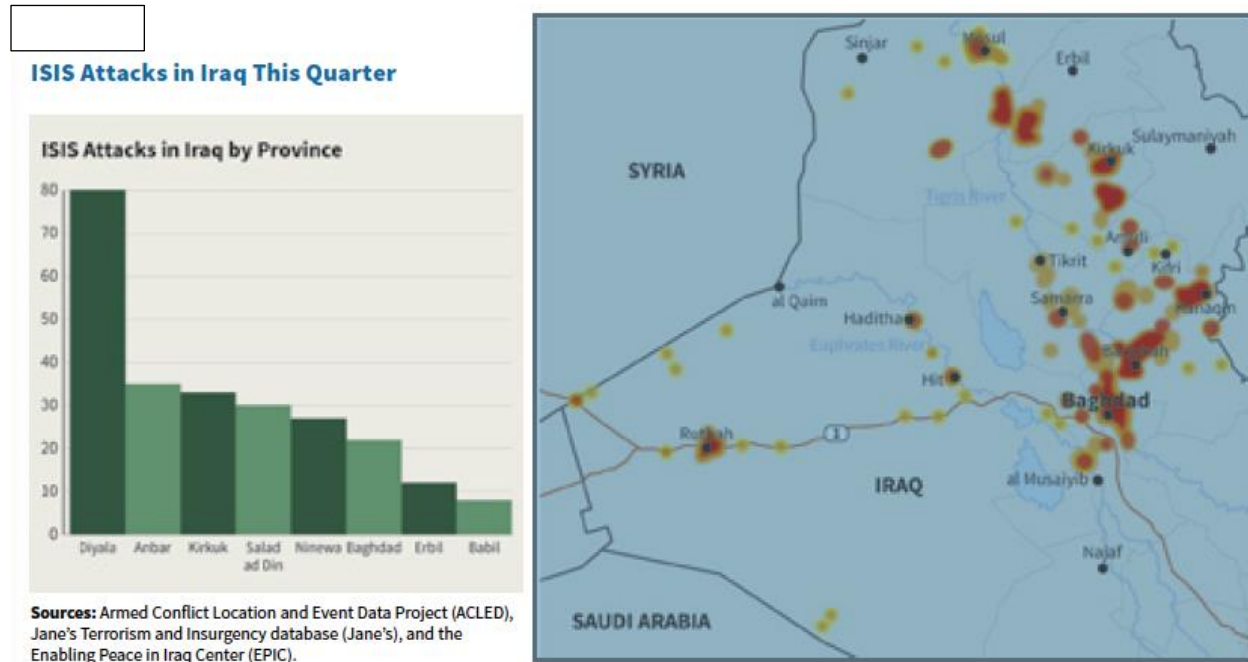
The DIA stated that ISIS does not have an “overt presence or significant local support” in any of these areas. It also said that it has not corroborated ISIS claims of attacks inside cities in Iraq this quarter and said the organization remains largely relegated to remote areas, which has been the case since ISIS lost its territorial “caliphate” in Iraq.

Iraq’s armed forces began a new campaign on June 3, 2020 named “Heroes of Iraq-Victory and Sovereignty” to target ISIS cells in northern Kirkuk. This campaign began after recent upticks in attacks conducted by ISIS, and there are few indications that ISIS will be fully defeated at any predictable point in the near future, although it no longer seems to have the capacity to pose a major threat to Iraqi security.

There also, however, are reasons why ISIS may have the opportunity to revive its movement and pose a continuing threat, even if it has little current prospect of creating a new proto-state or “caliphate.” ISIS already has evolved enough leadership and organized cells of fighters to begin a broadly scattered series of terrorist attacks. It has widely dispersed such cells in some parts of

Iraq's countryside, and they conduct strikes using low-cost and low-tech attacks, as well as target killings and acts of extortion and intimidation. ISIS may continue to grow in strength if the Iraqi central government does not provide more support for Sunnis – particularly in the West – and there is a risk that captured fighters will rejoin its forces if ISIS families and members decide to leave or escape facilities like the al-Hol refugee camp along the Iraqi-Syrian border.

Chart Sixteen: ISIS Attacks in IRAQ: January 1-March 31, 2020



- CJTF-OIR reported to the DoD OIG that ISIS claimed 187 attacks in Iraq and Syria in January and February 2020. This represents a decrease from November through December 2019, when ISIS claimed 382 attacks across the combined joint operating area—an attack level CJTF-OIR said increased due to a global attack campaign to avenge al Baghdadi's death.⁸⁷
- On average, ISIS has claimed about 100 attacks per month since the loss of its territorial control in Baghouz, with 35 to 40 in Iraq and 60 to 65 in Syria, according to CJTF-OIR. It assessed that the ISIS claims are “broadly representative,” of the data it collects, based on both corroboration of some attacks and changes to ISIS claims that appear to reflect actual attack trends.⁸⁸
- According to open source data compiled by the DoD OIG, ISIS claimed more than 250 attacks in Iraq this quarter. These reports indicated that ISIS continued to use assaults, IEDs, and assassinations as its primary methods of violence. It also employed snipers and mortars. CJTF-OIR reported that to a much lesser extent, ISIS employed rockets, car bombs, sabotage, and kidnappings.
- ISIS activity in Diyala outpaced the other provinces in which it is active. According to open-source data, ISIS carried out 80 attacks in Diyala, followed by Anbar, Kirkuk, Ninewa, and Salah ad Din provinces. Baghdad province experienced slightly more than 20 attacks this quarter, however many of these attacks were unclaimed and resulted in few casualties

Source: Adapted from LEAD IG Report to the U.S. Congress January 1, 2020-March 31, 2020, pp.20, 23-24, 2020.

Restructuring Iraqi Forces to Deal with ISIS, Hostile PMFs, and Other Lower Level Domestic Threats

At least in the near-term, a strategic dialogue between Iraq and the United States must address the issue of how Iraq can meet this ISIS threat both internally and from areas outside its border – particularly Syria. The U.S. is already withdrawing many of the forces it provided to support Iraq in the fight to break up the ISIS Caliphate, as well as part of its train and assist mission.

Iraq must also however, find ways to use its forces to check the threat from hostile and Iranian supported PMFs, or run the highly uncertain risk of allowing U.S. and other foreign forces to protect themselves and conduct reprisals for any attacks – an option that seems as likely to provoke new attacks as solve the problem. It also must have a force structure that can check the emergence of any new extremist forces and help unite the country.

Iraq has already developed an effective Counter Terrorism Service and Counter Terrorism Command that reports directly to the President. It used elements of its Special Operations Forces like its 1st and 2nd ISOF Brigades during the fight against ISIS – and successfully prepared some of its heavy army units for urban warfare. Iraq can continue to rely on its medium and heavier 1st, 4th, 5th, 6th, 7th, and 17th divisions to some degree, but these should now be part of regular Army and used largely for national defense against foreign threats

Iraq now needs to develop a mix of light paramilitary security forces and police to “hold” and protect the areas where ISIS is making a reappearance or is deploying its cells. This means the Iraqi Army now requires suitable upgrades and training for its light Army maneuver brigades, and special paramilitary police training and equipment for its Federal Police, Border Enforcement Forces, and regular police.

Iraq will also need to replace some of the U.S. and coalition IS&R capabilities that are being withdrawn – both to deal with ISIS and other threats like the Iranian back PMFs, and suitable training and equipment for its air force to make the best use of its light attack aircraft, attack helicopters, IS&R aircraft and helicopters, and transport helicopters.

Here, it is important for both Iraq and the U.S. to consider what role European and other states might play. The U.S. does not have national police of the kind that France and Italy have, and some European states have a justice systems closer to that of Iraq. This experience may be critical in helping Iraq to go from treating threats like ISIS as military forces in wartime to dealing with ISIS as more of a criminal threat subject to the rule of law and the human rights concerns that Iraqi forces need to develop for all of their domestic operations.

The question also arises as to what level of cooperation and train and assist efforts can be brought together to support Kurdish Pesh Merga forces and pro-central government Shia and /Sunni PMFs in such missions. The same is true of the need to cooperate in dealing with ISIS prisoners, and particularly ISIS foreign fighters and their families.

One point should be clear to Iraqis, U.S. train and assist personnel, and allied forces. The preservation of human rights and the rule of law by the security forces, law enforcement personnel, and the justice system will be an area which all need to be given high priority and cooperation in supporting. If Iraq is to build lasting trust of its security and law enforcement forces as well as its justice system, it must avoid abuse and excessive force.

The military should not be used to control popular demonstrations, arbitrary arrest, and excessive use of prisons and interrogation, or it will breed opposition rather than end it – and so will the misuse of prisons and a failed justice system. Above all, the security forces and justice system must not discriminate by ethnicity or sect, and personnel must be carefully allocated so that Arab Shiites, Arab Sunnis, Kurds, and minorities do not feel discriminated against, and see a largely merit-based system with a mix of units dominated by different groups.

The Threat from Pro-Iranian and Other Popular Mobilization Forces

Iraq and the United States cannot have a sound security relationship until they find a common approach to dealing with the threat posed by Iran and pro-Iranian PMFs. There are extensive open source reports on the threat to Iraq and to U.S. and other Western advisory forces in Iraq, posed by Iran and pro-Iranian Popular Mobilization Forces.

Many of the details Iranian backed PMFs, and perceptions of the threat are classified, but the *State Department Country Reports on Terrorism* again provide a good picture of developments in 2019:⁷⁹

Attacks by Iran-backed Shia militia groups on Iraqi bases hosting U.S. and Defeat-ISIS Coalition forces increased in 2019, killing and wounding American and Iraqi servicemembers. The Iran-backed, U.S.-designated KH continued to operate in Iraq and in some cases sought to enter local politics by backing provincial candidates. The Government of Iraq issued Executive Order 237 which required all Popular Mobilization Forces (PMF), including those backed by Iran, to operate as an indivisible part of the armed forces and be subject to the same regulations; however, many of these groups continued to defy central government command and control and engaged in violent and destabilizing activities in Iraq and neighboring Syria, including attacks on and abductions of civilian protesters. The Kurdistan Workers Party (commonly known as the PKK), a terrorist group headquartered in the mountains of northern Iraq, continued to conduct attacks in Turkey.

In addition, Iran-backed Shia militia groups are believed to be responsible for more than a dozen rocket or indirect fire attacks targeting U.S. or Coalition targets in Iraq in 2019, including the December 27 attack in which KH launched more than 30 rockets at an Iraqi base hosting U.S. forces in Kirkuk, killing one American contractor and wounding several American and Iraqi service members. Other prominent terrorist attacks included:

- On January 11, a VBIED detonated in a market in al-Qa'im, on the Syrian border in western Anbar, killing two civilians and injuring 25 others.
- ISIS targeted truffle hunters mostly in Anbar province, kidnapping more than 44. On June 1, nine bodies were found west of the town of Rutba, some 300 kilometers west of Anbar's provincial capital Ramadi.
- On November 8, a car bomb exploded near a restaurant in Mosul, Ninewa governorate, killing 13 people and wounding 23 others.
- On November 16, an IED exploded in Baghdad's Tahrir Square where anti-government protesters gathered. There were no reported casualties.
- On November 29, ISIS attacked Kurdish security force (Kulajo Asayish) headquarters in Kifri district, Diyala governorate, killing three Asayish members, including the unit's director.
- On December 4, an ISIS tactical element comprising 10 to 15 members conducted an attack against the Ministry of Peshmerga's 3rd Regional Guard Brigade, killing three and wounding two others.
- On December 31, Iran-backed Shia militia groups, including KH, participated in an attack on the U.S. Embassy in Baghdad, which resulted in significant damage to embassy property. There were no embassy casualties and security personnel used less-than-lethal countermeasures to repulse intruders.

...Iraq remained active in its strategic messaging to discredit ISIS, including through its membership in the Global Coalition to Defeat ISIS Communications Working Group, and engaged with U.S. military and civilian counterparts to develop a wide range of capabilities to build national cohesion and combat terrorist ideology. The Government of Iraq and the Global Coalition to Defeat ISIS also implemented stabilization,

reconciliation, and accountability programs to strengthen locals' ability to counter terrorist radicalization and recruitment.

Many Iraqi ISIS fighters remained in Iraqi custody, along with ISIS-affiliated foreign women and children. Iraq acknowledged that the return and reintegration of family members of suspected ISIS supporters, as well as the provision of fair and equal justice, are important to prevent future terrorist radicalization and violence. However, more than 1.4 million Iraqis remain displaced within Iraq, and more than 30,000 – mainly women and children – reside in the al-Hawl IDP camp in Syria. Iraq publicly stated it has no intention of housing Iraqi ISIS fighters with the general prison populations in Iraqi prisons. The lack of separate, secure detention facilities within Iraq delayed Iraqi efforts to repatriate additional Iraqi fighters detained abroad.

The LIG report provides one of the few detailed official statements of how Iranian-backed threats have developed in 2020, as well as the set of official statistics shown in **Chart Seventeen**.⁸⁰

While tensions between the United States and Iran have been increasing for more than a year as Iran has sought to respond to the U.S. government's "maximum pressure campaign," the killing of a U.S. contractor in Iraq last quarter initiated a series of violent confrontations that continued into this quarter.

These confrontations included U.S. defensive strikes on the Iranian-backed militia Kata'ib Hezbollah in Iraq and Syria on December 29; the attempted storming of the U.S. Embassy in Baghdad by Iranian-aligned militias and supporters on December 31; the U.S. killing of Iranian Major General Soleimani and Popular Mobilization Committee (PMC) Chief of Staff al Muhandis on January 3; and the Iranian ballistic missile attack on U.S. positions in Iraq on January 8.... As a result, CJTF-OIR announced on January 5 that it was focusing on force protection and pausing activity to train the ISF and support operations against ISIS.

OUSDP/ISA reported to the DoD OIG that CJTF-OIR began restarting its full range of support to the ISF as force protection concerns allowed this quarter. However, rocket and mortar attacks in Iraq by Iranian-backed Shia militia groups continued throughout the quarter, surpassing the frequency and lethality of attacks during the previous quarter, according to open source reporting (see page 35).... On March 11, two U.S. and one British service members were killed and 14 others were wounded in a rocket attack on Camp Taji by Iranian-backed groups, according to the DoD. Like the December 27 attack on the K-1 Air Base that killed a U.S. contractor, U.S. forces responded with "defensive precision strikes" on five Kata'ib Hezbollah weapon storage facilities across Iraq. Two days later, another barrage of at least 25 rockets struck Camp Taji, wounding three coalition troops and two Iraqis, according to an OIR spokesman.

A new group calling itself Usbat al Thairen, or the "League of the Revolutionaries," claimed responsibility for both attacks on Camp Taji in retaliation for the killing of Soleimani and al Muhandis. The group, which open source analysts assessed is likely a front for established Iranian proxies in Iraq such as Kata'ib Hezbollah, released several videos threatening additional attacks on U.S. facilities in Iraq to force their withdrawal from the country. Analysis by the Institute for the Study of War indicates that Iran remains intent on increasing political and military pressure against U.S. Forces in Iraq, rallying a number of militias and political surrogates to form a new "resistance front."

DIA reporting on Iran's overall influence on Iraq's security forces as well as the role of Iran's Al Quds Force and other Iranian advisors in Iraq is somewhat more positive than the LIG reporting, but makes it clear they remain a serious threat.⁸¹

According to the DIA, the loss of Soleimani and al Muhandis has opened divisions among Iranian-aligned actors and various Shia factions in Iraq. The DIA reported ... that the deaths of Soleimani and al Muhandis left a void in the command and control of Iraqi Shia militias and Shia militia-affiliated political parties. According to the DIA, multiple other Iranian and Iraqi officials seek to fill these roles, although none is likely to achieve the level of effective control Soleimani or al Muhandis held in the near term.

The DIA assessed based on press reporting that Soleimani's replacement as commander of Iran's Islamic Revolutionary Guard Corps-Qods Force, Esmail Ghani, is more accurately described as a bureaucrat than the charismatic leader that Soleimani was. The DIA added that Ghani is less equipped to handle the political and security aspects of the Qods-Force's Iraq portfolio because he spent much of his career focusing on Afghanistan, Pakistan, and Central Asia, does not speak Arabic, and lacks Soleimani's personal connections

in Iraq. Open source reporting indicated that Ghani visited Iraq on March 30 in an attempt to unite Iran's surrogates and urge opposition to Adnan al Zurfi's nomination as Iraq's next prime minister...

...the selection of al Muhandis's replacement within the PMC, an umbrella group of Iraqi paramilitary organizations, is also proving problematic... former Kata'ib Hezbollah Secretary General Abd al 'Aziz al Muhammadawi, commonly known as Abu Fadak, has been nominated as the new Chief of Staff of the PMC following al Muhandis's death, although he has not yet been officially installed in the position. The DIA said Abu Fadak is seen as Iran's choice and does not have the support of Iraqi Grand Ayatollah Ali Sistani and the Shia clerical leadership in Iraq, known as the *Marjaiyah*. According to press reports, some Shia militias aligned with Sistani have publicly rejected Abu Fadak's selection and have expressed interest in integrating into Iraq's Ministry of Defense and separating from the PMC...

The DIA reported ...that Iran's influence on Iraqi security sector reform has waned since 2019. According to the DIA, from 2006 up to 2020, Iranian influence within Iraq's Interior Ministry and the PMC fueled competition with the Defense Ministry and CTS for funding and prestige. The DIA said that Iraqi leaders sought better control of Iran's influence on the PMC, which began in 2016 with the codification of the organization as part of Iraq's national security apparatus, and subsequent executive orders in 2019 to reinforce government authority over the militias. The DIA added that in January 2020, the Iraqi government also initiated a years-long security reform effort by transferring responsibility of domestic security from the Iraqi Army to the Interior Ministry in southern Iraq...

...since October, the civil unrest that broke out across southern Iraq has been critical of Iran's pervasive influence on Iraqi governance, and included the first public objection to Tehran's manipulation of Iraq's security apparatus. According to the DIA, Iraqi demonstrators have since blamed the Iran-backed militants for killing nearly 700 and wounding more than 30,000 civilians, as well as the kidnapping and torture of protesters and aid workers supporting the protests...

...Iranian-backed militia groups are suspected of playing a key role in the violent suppression of anti-government protests as part of their effort to maintain the current political system and protect the political influence Iran has gained since 2018. The Fatah Alliance—comprising Shia militia-affiliated politicians—has been actively involved in the selection of a new prime minister and almost certainly will attempt to influence future government formation processes through the nomination of ministers sympathetic to Shia militia and Iranian objectives, according to the DIA. The DIA said that Fatah also supported electoral reform laws that would impede early elections and mitigate any potential loss of influence... Iranian-aligned militias continue to exploit their freedom of movement across Iraq to maintain unofficial checkpoints, control border crossings, and extort local populations across the country to generate illicit revenue streams...

The DIA reported...that members of the IRGC traveled to Iraq to advise Iraqi intelligence and security officials on the protest response, noting that open source reporting indicates that Iran provided Shia militia counter-protest teams with equipment such as secure radios. The DIA assessed based on press reporting that since October, Prime Minister Abd al Mahdi's government has leaned heavily on Iranian-backed militias within the PMC to quell anti-government demonstrators. The DIA added that Soleimani's death has not markedly detracted from Iranian-backed Iraqi Shia militias' ability to respond to the protests, which are ongoing but reduced in scale as compared to the prior quarter...

In contrast, the DIA reported that Iraqi military leaders under the Defense Ministry have remained "legally and decisively apolitical," often to their detriment as Iranian-backed politicians and militants use their political influence to manipulate military leaders to act or turn a blind eye in their favor. The DIA assessed that these security leaders probably remain leery of the Iranian-backed militias, the PMC, and Iranian influence on Iraq's political sectors, all of which affect the security leaders' careers, personal safety, and the safety of their families...

The *LIG* provides a good graphic summary of the patterns in pro-Iranian PMF attacks from October 2019 through March 2020. These graphics are shown in **Chart Seventeen**.⁸² The details of many other aspects of the PMF operations are too complex and in too high of a state of flux to cover here in depth, but work by Michael Knights, Hamid Malik, and Aymenn Jawad Al-Tamini is available on the web site of the *Washington Institute for Near East Policy* (WINEP) that analyzes

the complex mix of issues that currently shape the PMF threat in depth – including their current structure, a list of such organizations, a picture of their order of battle, and their level of coordination.⁸³ A good timeline of such ISIS attacks can also be found in a chronology published in the *Long War Journal* by Benham Ben Taleblu.⁸⁴

Given this background, it is clear that that Iranian-backed PMFs and elements of armed Arab Sunnis present a potential threat to Iraqi central government control of the country and its security forces – as well as to U.S. forces. Moreover, if the United States were to leave without regard to Iranian influence, Iraq's own national forces would probably have to face threats from both ISIS Iranian-backed Popular Mobilization Forces on their own.

It is important to note, however, that some Shi'ite PMFs are loyal to the government – or at least are not under strong Iranian influence. These include the forces with ties to the Al Dawa Party, the Iraqi National Alliance, and the Iraqi Nationalist Sadr movement. A “Policy Analysis” by *The Washington Institute for Near East Policy* notes that Atabat Shi'ite militias do not pose such threats,⁸⁵

Iraq's Atabat units are paramilitary groups affiliated with Shia Muslim shrines. These four so-called “shrine units”—Liwa Ansar al-Marjaiya, Liwa Ali al-Akbar, Firqat al-Abbas al-Qitaliyah, and Firqat al-Imam Ali al-Qitaliyah—have no links with Iran's Islamic Revolutionary Guard Corps (IRGC), and are instead affiliated with Ayatollah Ali Sistani, the Iraqi Shia leader whom they regard as their source of emulation.

In total, the Atabat have around 18,000 active soldiers and tens of thousands of reserves. Firqat al-Abbas is the most militarily capable of the four groups, with offensive capabilities boosted by logistical training and fire support cooperation with Iraq's Ministry of Defense.

Several characteristics distinguish the Atabat from pro-Iranian, IRGC-dominated units in the PMF. First, they work only with Iraqi national institutions and are forbidden to liaise with IRGC commanders or other foreign military figures. Second, they stay out of the political process, whereas pro-Iran groups have gone so far as to form their own political parties. Third, Atabat units do not consider the United States as an enemy. Although they have occasionally condemned U.S. actions (e.g., the March bombing of a construction site in Karbala International Airport), they generally avoid expressing or acting on anti-American sentiments. Fourth, the Atabat have not been accused of human rights violations. In fact, they have no interest in maintaining a presence inside the Sunni Arab areas where many such violations have occurred. Their primary areas of interest are the Shia holy cities of Karbala and Najaf and the desert that links them to Anbar. The Atabat have not been accused of extortion either, unlike the many PMF groups that use such tactics to sustain themselves, thereby exacerbating grievances among the Sunni population.

These differences place the Atabat at odds with pro-Iran militias. Even before Muhandis was killed in January, the shrine units sought his removal from command of the PMF. After his death, they strongly opposed the successor put forward by his militia, Kataib Hezbollah, which tried to appoint pro-Iranian commander Abu Fadak as the new PMF head of operations. In the end, the Atabat withdrew from the PMF commission altogether and pledged to help other groups defect.

Among other consequences, their withdrawal has damaged the religious legitimacy of the pro-Iran groups. The Atabat created a precedent of paramilitary volunteers operating with Ayatollah Sistani's approval; when they defected, many saw it as his way of beginning to withdraw his endorsement of the PMF. In response, Hadi al-Ameri, Ahmed al-Asadi, and other senior figures from pro-Iran groups have met with Sistani's representatives in Karbala in an effort to persuade the Atabat to return.

This raises the broader issue of what the future of all Iraq's PMFs should be. Today, many are dominated by a given leader or political warlord, a given party, or a given faction. They also are motivated by their sect, and they compound the ethnic divisions that exist between Arab forces and Kurdish units. The history of such forces is that there are three major outcomes:

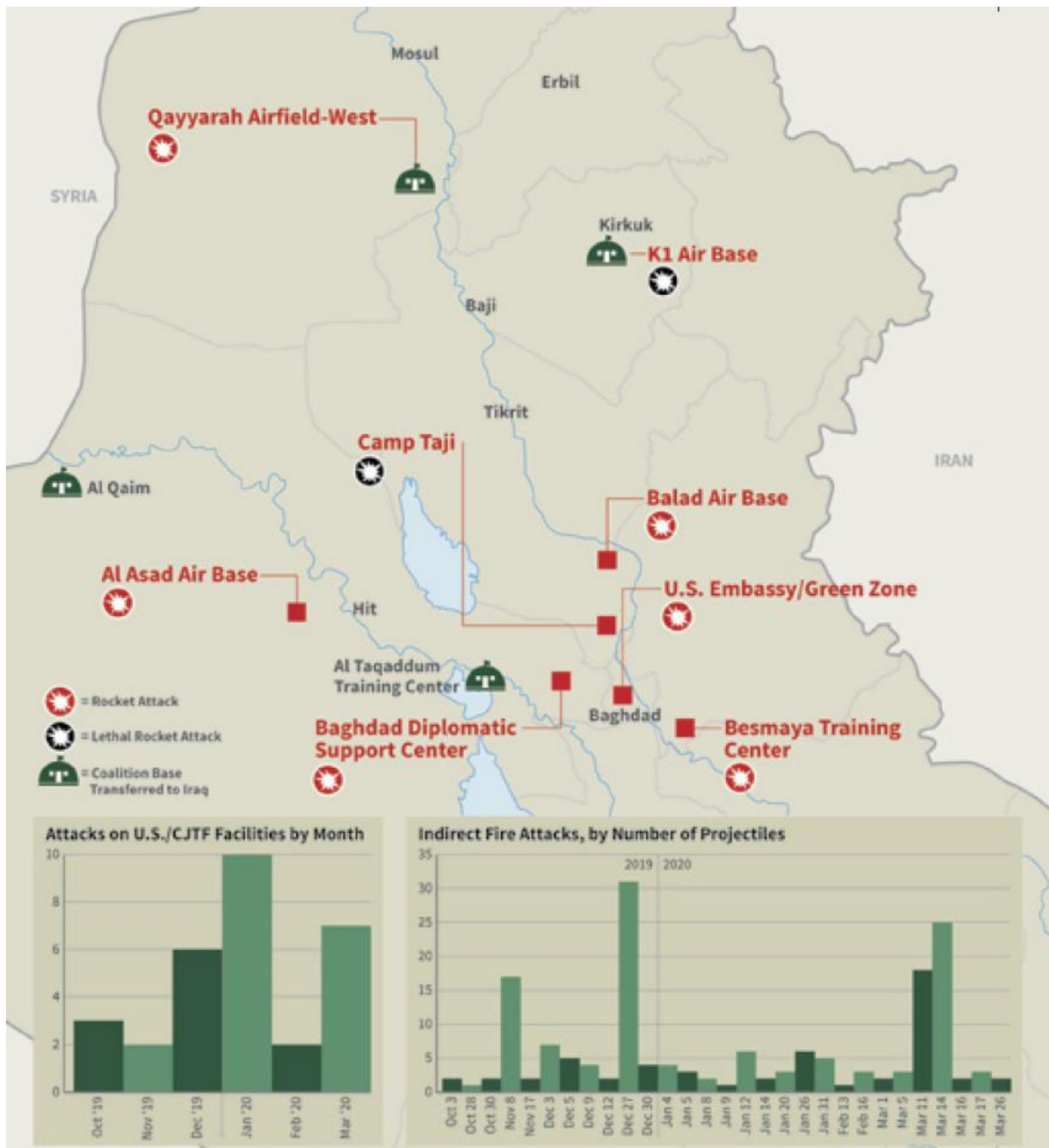
- They become independent threats to national unity and to effective governance that have to be bought off politically or financially, that finance themselves through extortion and corruptions, or that directly challenge their government and become the source of a new threat – often seeking outside financing and support if they do not already have it.
- They disband or are absorbed into national forces. In most successful cases for when they disband, there must be clear transition plans to help members find jobs, state payments to help fund them during the transition, and effective efforts to disarm both such units and their individual members.
- They are formally absorbed into the national security forces as combat units, local security forces or some form of reserve unit.

Finding some joint way to deal with the threat pro-Iranian PMFs pose to U.S. and European train and assist forces will be a critical immediate task for the Iraqi and the U.S. security dialogue, and they will present obvious political challenges to the Iraqi government. There have, however, already been Iraqi popular demonstrations against Iranian influence. Iran is experiencing its own economic crisis and will already find it difficult to continue to fund the Iraqi PMFs. When Quds Force Commander Ghaani visited Iraq for his second visit on June 3, 2020, instead of bringing cash payouts, he is reported to have brought silver rings and told the PMFs they would have to rely on Iraq for funding.⁸⁶ Without funds and active support from Iran, some pro-Iranian PMFs may break up or change their allegiance.

The Iraqi government does, however, face the broader challenge of what to do about all of the PMFs. So far, simply assigning them to the Prime Minister and central government is little more than a facade. The government must now choose between disbandment or actually integrating them into its security forces. Here, the politics are so complex – and ethnic and sectarian divisions remain so deep – that converting these PMFs to some form of local reserve force may be the best way to reassure all of Iraq's factions that some force exists that can protect their different interests.

These, however, are decisions that the Iraqi government should make on a pragmatic level. The politics involved are so complex and the central government's status so uncertain, that the key is to find a compromise that will allow Iraq to move forward with a minimum of tension and the risk of any PMF becoming a new threat.

Chart Seventeen: Suspected Iranian-Backed PMF Military Attacks on U.S. and Coalition Facilities: October 2019-March 2020⁸⁷



Source: Lead IG Report to the U.S. Congress January 1, 2020–March 31, 2020, 2020, [lig_oir_q2_mar2020_gold_508_0513.pdf, p. 35.](#)

Rebuilding a Real Iraqi National Deterrent and Defense Capability

Iraq faces an even more critical challenge, however, in rebuilding its military forces to become a successful set of military forces that can deter and defend against outside intervention by powers like Iran and Turkey and potential future threats from Syria. Iraq does not need to join the regional arms race, but it does need sufficient military forces to become fully independent and secure,

These are areas where United States can play a major role in helping Iraq achieve the level of security forces and capabilities it actually needs over 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 must be addressed in the proposed July security dialogue.

The first area for such cooperation is providing help in rebuilding Iraqi forces. 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. **Chart Eighteen** 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 shown in **Chart Eighteen** 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.

At present, sources like the 2020 edition of the International Institute for Strategic Studies (IISS) *Military Balance* and country reports by IHS Jane's show that the Iraqi Army has three special forces brigades, one armored division (9th), four mechanized divisions (5th, 7th, 8th, and 10th), two motorized infantry divisions (6th and 14th), a COIN division (1st), three infantry divisions (11th, 15th, and 16th), a separate infantry brigade, the 17th Command Division, and a separate Special Forces Division that reports to the Prime Minister. The Iraqi Army has somewhere around 180,000 men on its books, and many of these divisions have brigade-sized active manning by U.S. standards.

The 2nd, 3rd, and 12th divisions collapsed during the ISIS invasion. The 4th is believed to be largely Kurdish, and the 5th is believed to be largely Shiite. There are 10 active helicopter squadrons (1 IS&R and 5 attack).

The army's equipment is largely a mix of U.S. and older Russian and European equipment, and reports differ sharply on Iraqi holdings. According to the IISS, only 100 of its 391 tanks are modern M-1s. IHS Jane's reports that some of its T-72s are refurbished Czech versions, and there are reports that Iraq has ordered 73 modern T-90 Russian tanks to replace its T-55s.

According to the IISS, all of its 453 armored reconnaissance vehicles are older Russian and French types. The same is true of its 300+ infantry fighting vehicles, and 1,592+ regular and light armored personnel carriers. IHS Jane's indicates, however, that Iraq has ordered 100s of Patria 8X8 AMVs;

1,026 refurbished U.S.-made M-113 APCs with 440 delivered by 2,012; and 420 Russian BTR-4s.

IHS Janes reports that Hungary donated 77 T-72M1 of Iraq's main battle tanks. It also reports that other armored vehicle donations included: 100 M113A1 tracked armored personnel carriers (APC), 100 Spartan APC and 50 BTR-94 APC donated by Jordan; 32 Panhard VCR and 38 Panhard M-3 APC donated by the UAE; and 30 ASV-150 wheeled APC donated by the US.

According to the IISS, all of Iraq's 108+ heavy artillery weapons and its 3 multiple rocket launchers are Russian and only 48+ are self-propelled – although it does have large numbers of heavy mortars and stocks of manportable AT-3 and AT-4 Russian anti-tank missiles. Jane's IHS reports, however, that it has 120 U.S. M198 155mm towed howitzers and 24 M-109AS self-propelled 155mm howitzers.

IHS Jane's indicates that most of its attack and transport helicopters are Russian, but it has 15 modern Mi-28NEs and 20 Mi-35 attack helicopters, 10 OC-58C U.S.-made IS&R helicopters, and Chinese CH-48 and CH-4 light fixed wing attack aircraft that can deliver laser-guided bombs.

This mix of Army equipment is not adequate to properly equip Iraq's forces, and significant amounts may not be combat capable. Much of the older Russian weapons are, however, more than adequate to meet the current Iranian threat and Syria forces, although not Turkish armored and mechanized units. Training also remains a serious problem, and most recent training has been to fight ISIS rather than the forces of other nations. Readiness and combat capability also differ sharply by unit, and some units did very well in fight ISIS while others were of more marginal value. Logistic and support capabilities are very mixed.

Most of Iraq's Navy was destroyed during the first Gulf War in 1991. Iraq's small 3,000-man Navy is now largely a light patrol force with 32 patrol boats – none armed with missiles. Only four Fateh-class patrol ships have more than limited military capability, although an additional 12 patrol boats are relatively new. There are a small two-battalion Marine forces. Its two Assad-class corvettes are incapable of military operations.

More generally, **Chart Eighteen** shows that Iraq's Air Force is still very small. Although it has some 36 U.S. F-16s and 19 combat-capable Soviet-era Su-25s – and some modern light IS&R aircraft – it is just beginning to develop modern air combat capabilities. It now depends too heavily on additional forces of 19 L-159A/B light combat aircraft and 13 AC-208B Cessna "combat Caravan light aircraft.

It was U.S. and Coalition airpower that was decisive in allowing Iraq to defeat ISIS. 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 in 2019.⁸⁸

Iraq is reported to have taken delivery on 48 Russian Pantsyr-S1 (SA-22) self-propelled air defense systems and 9K338 (SA-24) manportable air defense missiles, and they are also reported to have ordered three U.S. Hawk batteries and up to 48 Avenger very short-range self-propelled air defense systems. The IISS military balance does not, however, list any operational heavy land-based air and missile defense weapons, airborne warning and control systems (AWACS), or modern air defense ground environment capabilities. Iraq's only major land-based radars are two early

warning radars in Baghdad and Nasiriyah. Providing a full ground-based air and missile defense capability is a critical set of requirements in dealing with neighbors like Iran, Turkey, and Syria.

Iraq needs a much more coherent approach to equipment modernization. It 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.

Chart Eighteen: The Iraqi-Iranian Military Balance in 2020

Category	Iraq	Iran
Military Budget (\$US billions)	17.3-20.5	17.4-22.0
Total Active Military Personnel	193,000	610,000
Army & IRGC Personnel	180,000	500,000
Main Battle Tanks	391+	1,513+
Other Armored Fighting Vehicles	753+	725
Armored Personnel Carriers	1,592+	640
Heavy Artillery (Towed, SP, MRLs)	111	3,798
Air Force & Air Defense Personnel	10,000	45,000
Total Combat Aircraft	90	333
Fighters/Attack Fighters	66	310+
Major Surface to Air Missiles	0	237+
Navy Personnel	3,000	38,000
Submarines	0	3
Submersibles	0	16
Major Surface Missile Combatants	0	63
Missile Patrol Boats	0	22
Other major Patrol Boats	6-26	88
Landing Ships	0	15
Landing Craft	0	13

Source: Adapted from the IISS, *Military Balance 2020*, pp. 349.

The Lead Inspector General Analysis of Current Iraqi Military Capability and the USNATO/Advisory Effort

Both Iraqis and Americans need to understand that while Iraqi forces have made a major recovery since their early defeats by ISIS, there is still much to be done. This is particularly true of the need for Iraqi combat forces that can deter and defend Iraq against foreign pressure and threats. Some outside experts have done an excellent job of tracking the recent changes in Iraqi Security Forces, but many reports focus largely on their capability against ISIS, rather than their overall development.

Once again, the Lead Inspector General's reports to Congress provide useful insights, and they are based on exceptional access to official data on Iraqi forces. Key excerpts from the January 1, 2020–March 31, 2020 *LIG Report to Congress* discuss both the current level of Iraqi development and the potential continuing role of the United States if a security dialogue is successful.

This LIG description of possible future U.S. missions does, however, have its limits. It does not go beyond dealing with ISIS or addresses the need for Iraqi forces that can deter Iran and contain

possible threats from Syria and Turkey. It was also made at a time when many Iraqi force development efforts had ended in March 2020 because of the Coronavirus:⁸⁹

CJTF-OIR reported to the DoD OIG that partner force development had evolved to allow ISF partners to “handle most aspects of a counter-insurgency autonomously.” Therefore, according to CJTF-OIR, the conditions to transition OIR to Phase IV, focusing on ensuring the long-term stability of Iraq, “appear to be met.”... The Secretary of Defense, however, retains the authority to determine when to transition OIR to Phase IV, according to OUSD(P)/ISA... During Phase IV, in general, Coalition efforts would continue the shift from providing tactical leadership and training toward developing a cadre of senior staff and enabling institutional development, according to CJTF-OIR... The aim would be to build “sustainable partner capacity,” an end state whereby the ISF has the ability to generate military forces that can defeat ISIS independently. According to CJTF-OIR, the term “sustainable” refers to the ISF’s continual capacity, from a leadership and resource perspective, to generate capable forces over time...

While CJTF-OIR stated that the conditions to transition OIR to Phase IV appear to have been met, as discussed below, the ISF still exhibited capability gaps this quarter. Furthermore, as discussed elsewhere in this report, in response to the COVID-19 pandemic, the ISF suspended training programs in Iraq in March. Based on the uncertainty caused by COVID-19, it is unclear when training will resume in Iraq, and when the transition to Phase IV will occur.

...According to OUSD(P)/ISA, funding requests in previous fiscal years focused on offensive operations to defeat ISIS’s so-called “caliphate,” including replacing battle-damaged vehicles, weapons, and equipment; restocking ammunition; and supporting sustainment and logistics operations. The funding request for FY 2021 reflects a transition away from offensive operations toward training and equipping for a wide-area security mission, which the Coalition is pursuing to prevent a resurgence of ISIS, according to OUSD(P)/ISA.

More broadly, the LIG Report stated that U.S. and coalition advisors made the following assessments of the overall capabilities of Iraq’s security forces and their ability to protect U.S. and other security advisors:⁹⁰

CJTF-OIR reported to the DoD OIG that this quarter, within the combined joint operations area, the CTS maintained roughly the same number of units as during the previous quarter.²⁰¹ These units were capable of conducting simple intelligence-led raids, and a small number of specialized CTS units were able to conduct reconnaissance operations. However, most CTS units were limited in their capacity to coordinate the maneuver of multiple subordinate elements in complex operations...

... there were several noteworthy attempts by ISF ground forces to clear challenging terrain this quarter, including by conducting operations in the mountainous regions around Kirkuk. Other clearing activities were less successful. For example, the limited impact of Iraqi air support and Iraqi ISR during the ISF’s “Heroes of Iraq” campaign, when combined with the fact that the ISF did not clear many targeted areas, may have demonstrated the ISF’s lack of resolve or capabilities, according to CJTF-OIR.

The ISF continued to struggle to integrate the use of ISR and fires assets into their operations, according to CJTF-OIR, which noted that synchronized integration of these assets is difficult for all military organizations... While advisors continued to mentor the ISF on sustaining, requesting, and employing ISR assets, the ISF did not place the same level of emphasis on utilizing ISR assets and associated intelligence collection as Coalition forces... A focus on “developing an Iraqi ISR enterprise and fire support infrastructure should continue to be of primary importance for developing the ISF...those endeavoring to develop ISF capabilities should exercise caution when focusing on skill sets and capabilities that the ISF do not desire and likely cannot sustain.

... the ISF continued developing its human intelligence capabilities ... The ISF remained most proficient at using human intelligence, as opposed to other kinds of intelligence, in support of operations... Coalition mentors reported observing increasing numbers of ISF operations driven by human intelligence, leading to an increase in effective targeting of ISIS leadership, weapons caches, and support areas...The ISF made modest progress in its ability to generate other types of intelligence in support of operations... The ISF also established a planning cycle to address intelligence priorities in an organized, analytical manner. However, CJTF-OIR assessed that the ISF still required focused support in developing command and control capabilities, and in integrating intelligence and operational activities...

USCENTCOM told the DoD OIG that Coalition forces employed force protection measures to secure their personnel and facilities. According to USCENTCOM, the ISF supported Coalition forces by securing areas surrounding Coalition facilities and significant transportation routes... CJTF-OIR stated that beginning in late 2019, and particularly during the operational pause in early January 2020, the ISF was increasingly able to help protect Coalition forces...

Specifically, ...the ISF's ability to deter and then quickly respond to rocket and mortar attacks against Coalition forces improved markedly from late December 2019 to February 2020. Response times for the ISF to arrive at sites from which Coalition adversaries launched munitions, and then process materials discovered at these sites, was "measured in minutes, instead of hours,...on some occasions the ISF was onsite before Coalition forces brought ISR to bear, and that the process by which the ISF transferred suspected launch devices, such as rocket rails, into Coalition custody improved as well... DIA noted that the increase in rocket and mortar attacks against Coalition forces this quarter would suggest that the ISF's ability to deter these attacks had not significantly improved.

The report made following assessment of the success of other U.S. and NATO advisory efforts before the suspension of activity because of the Coronavirus: ⁹¹

The Office of Security Cooperation–Iraq (OSC-I), based in Baghdad, helps the Coalition provide training and other services to the ISF. USCENTCOM stated that the OSC-I does not train the ISF directly, but rather facilitates training through Title 22 foreign military sales programs... the OSC-I enables contractor-delivered operations and training under various contract vehicles, according to USCENTCOM...The OSC-I also enables professional military education for ISF personnel who attend DoD schools, seminars, and events that expose them to U.S. training concepts and methodologies, according to USCENTCOM.

USCENTCOM reported that the degree to which training enabled by the OSC-I was successful varied by program this quarter. For example, the CTS maintenance training programs were highly successful...The CTS consistently filled classes with students capable of graduating successfully and held students accountable for any disciplinary infractions. The CTS students graduated at high rates and were able to execute maintenance operations afterward... What the CTS (and many other ISF organizations) lacked was a viable maintenance and supply system that would allow trainees to sustain and improve their maintenance skills after training, according to USCENTCOM.

According to USCENTCOM, the OSC-I also enabled programs that were not as successful, including those designed to train the Qwat Khasah (QK)...The QK is a specialized light infantry, brigade-sized force under the command of the Iraqi Ministry of Defense... the QK showed little initiative to fill the small unit tactics training classes conducted at the King Abdullah Special Operations Training Center in Amman, Jordan. The QK also made little effort to fill its "train the trainer" positions; as a result, the QK experienced "zero growth in its ability to train their own soldiers," ... If the QK is unable to train its own soldiers effectively, it may be difficult for the ISF to become a sustainable fighting force able to ensure the enduring defeat of ISIS.

However, ... the QK received additional classroom training and, prior to March 2020, one of the battalions actively partnered with Coalition forces during operations...According to CJTF-OIR, prior to implementation of restrictions meant to prevent the spread of COVID-19, all members of the QK attended the Iraqi-led basic training, selection, and initial commando courses before moving on to Coalition-partnered training...As of early April, internal train-the-trainer initiatives had produced capable QK trainers; however, Coalition personnel supervised most of this training. QK trainers had led training only over the previous 3 to 5 months, according to CJTF-OIR.

...As of March, NATO and USCENTCOM had yet to reach a formal agreement and a determination of associated timelines on the transfer of training functions to the NMI. OUSD(P)/ISA stated that the United States welcomed a larger role for the NMI and was awaiting decisions on the transfer of specific training functions. According to OUSD(P)/ISA, NATO was expected to complete this assessment in April 2020.

Dealing with the Kurdish Peshmerga Forces in the KRG and Kurdish Forces in Syria

These LIG assessments did not cover the Kurdish Peshmerga forces serving the KRG. The report did note, however, that Iraqi Kurdish forces played a key role in security along Iraq's northwestern border and in supporting Kurdish-Arab forces in Syria:⁹²

U.S. forces also initiated partnerships with elements of the Kurdish Peshmerga in Iraq's mountainous north, particularly in territory claimed by both the central Iraqi government and the KRG. CJTF-OIR reported that the Coalition's Task Force Security Force Assistance Brigade (TF SFAB) and the Finnish Training Contingent initiated partnerships with several Kurdish Peshmerga units, known as Regional Guard Brigades (RGBs).

... Unlike other Peshmerga units, which report to one of the two key political parties that share power in the semi-autonomous region of northern Iraq run by the KRG, the RGBs are combined units intended to respond to direction from the KRG's Ministry of Peshmerga, rather than one party or the other. The interactions with these RGB units began in February with the 14th RGB, which operates near the Makhmour Mountains. By early March, TF SFAB had initiated partnerships with several other RGBs along the boundary of disputed territory, which CJTF-OIR refers to as the Kurdistan Coordination Line.

... According to one Iraq analyst, ISIS "sleeper cells" remain active in Kirkuk and Diyala provinces in particular. This analysis cited daily ISIS-claimed attacks in these provinces, mainly targeting the ISF and community leaders. According to the analysis, ISIS activity persists in the Kirkuk provincial towns of Abassi and Zab, where a highway checkpoint manned by the ISF closes at 5 pm. As night falls, security forces, fearing ISIS attacks, leave the post, according to Iraqi expert reporting. In 2017, Kurdish security forces withdrew from disputed territories that they occupied in northern Diyala and other northern provinces. The ISF retook control of the territory, but disputed areas remain largely ungoverned.

CJTF-OIR reported that the ISF and Peshmerga share security responsibilities in disputed territories, but "lack strong cooperation along" what CJTF-OIR referred to as "operational seams." ISIS operates along these seams and takes advantage of the lack of cooperation to avoid scrutiny from both the ISF and Peshmerga, which "want to avoid clashes with each other within disputed territory," CJTF-OIR said...

The report went on to note that these RGBs had become the Peshmerga forces that engaged the ISIS and worked with the central government's security forces in the disputed areas claimed by group other than the central government and KRG. It saw this as a key task in dealing with ISIS in "disputed territory that (remains) ungoverned and...continues leveraging this area to its advantage."⁹³

The LIG report did not address the ties between U.S. links to Kurdish forces in Iraq and Syria, the threat from Turkey, or the threat from the Assad regime in Syria in any depth. The report did, however, touch upon these issues, and they too need to be addressed in a U.S.-Iraqi security dialogue:⁹⁴

According to OUSD(P)/ISA, in October 2019, the Turkish incursion into northeastern Syria significantly disrupted the defeat-ISIS campaign and "created an even more convoluted operating environment" by allowing pro-regime forces (PRF) to expand their presence in the northeast of the country. The situation on the ground in the area of the Turkish incursion has stabilized for the time being, OUSD(P)/ISA said, adding that the DoD supports the ceasefire arrangement with Turkey in northeastern Syria...

According to CJTF-OIR, the new combined joint operations area in Syria, the Eastern Syria Security Area (ESSA), spans from Dayr az Zawr in the south to the M4 Highway, which runs parallel to the Turkish border in northern Hasakah province and east to the border with Iraq...U.S. forces continue to partner with the SDF to conduct counter-ISIS operations and to deny ISIS access to critical petroleum infrastructure in northeastern Syria. According to CJTF-OIR, the SDF is participating in protecting the oil infrastructure, which CJTF-OIR said is vital for SDF revenue and economic stability in the ESSA...

CJTF-OIR said that without economic stability, SDF commander General Mazloum Abdi and Syrian Democratic Council executive committee president, Ilham Ahmed, would be more likely to make financial concessions to Russia—which is pressing for access to the eastern Syria oil fields—in exchange for a political deal for the Kurdish-led administration in northeastern Syria with the Syrian regime.

... while relinquishing control of the oil fields to the Syrian regime and Russia would not be in the SDF's interests, the SDF can use its control over the oil fields as "a bargaining chip" in future negotiations. CJTF-OIR further said that there are no current Syrian regime negotiations taking place in part because the continued presence of U.S. forces offers a preferable partnership, and also because the Syrian regime's demands of turning over the oil fields and merging the SDF into the Syrian army "don't offer the SDF any benefits."

...After the redistribution of U.S. forces in northeastern Syria in October 2019, the DoD deployed mechanized units with Bradley fighting vehicles to provide force protection for troops guarding the oil fields." The vehicles were removed weeks later... The DoD OIG did not receive an answer.

The Lack of a Coherent and Effective U.S. Approach to Dealing with Iraqi Security

A successful Iraqi-U.S. dialogue must recognize the importance of all these Iraqi needs and issues. It also, however, must recognize that successive U.S. governments have made a long series of mistakes in dealing with their common security priorities and in developing the kind of security assistance and aid programs that help Iraq deal with its own security priorities.

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. From 1991 to 2003, its sought to contain and pressure Saddam Hussein without looking beyond that goal.

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 let Iraqi security forces dissolve, saw the rise of largely Shi'ite governance and forces, and found itself fighting a new war against Iraqi Sunni extremists tied to al-Qaeda while it rushed an effort to try to rebuild Iraqi security forces.

From 2003 to 2011, it cobbled together constantly shifting civil-military plans and efforts to transform Iraq. These failed to effectively deal with any of Iraq's three ghosts, and the U.S. ended most of these military and civil programs in 2011, only to see a new crisis emerge between Iraqi Sunnis, Shi'ites, and the unstable governance and politics in the KRG. The end result was that U.S. forces had to reenter Iraq after the Maliki government created a new low-level civil war and then an invasion by ISIS forces almost led to 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 and its European allies focused on defeating ISIS and rebuilding Iraqi security forces to defeat ISIS – while Iraq faced growing pressure from Turkey and Iran, as well as new security issues in Syria – as Iraqi and U.S. forces broke up the ISIS Caliphate. Turkey not only deployed forces against Turkish Kurdish rebels in Iraq but also forces in Northern Syria that potentially affected Iraq's security. Iran not only put political pressure on Iraq and supported various Iraqi Popular Mobilization Forces, it began a new military build-up in areas near the Kurdish zone in Iraq because of a perceived threat from the Iraqi KDP.

The U.S. failed to develop new major policy efforts to deal with any other major aspect of Iraq's "ghosts" – political, governance, economic, or national defense – or to develop clear plans for what would happen to Iraqi security once the ISIS "caliphate" was defeated.

The Iraqi-US strategic dialogue is taking place after a period when, the United States never developed a clear strategy or well-defined security program for dealing with Iraq from 1991 through the start of this new strategic dialogue in June 2020. It has instead reacted to the most current threat at any given moment.

U.S. Force Cuts and Changes Since the Break-Up of the ISIS "Caliphate"

The damage done by this lack of a clear longer-term U.S. strategy has been aggravated by several developments since the break-up of the ISIS "caliphate." The U.S. has already responded to its past Iraqi government and U.S. led coalition victories over ISIS by making major cuts in its forces, basing, and levels of activity in Iraq.

The United States has also, however, withdrawn from several bases, abolished some consulates, and sharply cut the size and role of the U.S. Embassy in Baghdad, in response to more recent cycles of pro-Iranian PMF attacks on U.S. forces located at Iraqi bases – and done so before it made a clear effort to work with the Iraqi government and forces to retain a U.S. presence. While the United State has officially explained most cuts as the result of a lower threat from ISIS, it is clear they have also been driven in part by a rise in Iranian and pro-Iranian PMF threats to U.S. forces.

Moreover, the U.S. has sent mixed signals from the White House to Iraq as well as all of the Gulf states. It has called for active support in putting maximum pressure on Iran, placing more purchases of U.S. arms, and engaging in more military spending. At the same time, it has talked about force cuts and even leaving the region at one time, only to then later announce increased U.S. deployments.

The end result in Iraq is a cycle – of discussing how the U.S. will put added pressure on Iran to then withdrawing from Iraq – that has sent strong signals both in Iraq and in a Gulf region where many officials and analysts feel they have less reason to trust the United States.

U.S. force cuts and realignments have also helped to create uncertainty and distrust. The United States had personnel and facilities on 9 bases in Iraq by the time Iraqi, U.S., and coalition forces broke up the ISIS "caliphate" in 2019, although sources differ on the details: ⁹⁵

- Al-Taji Military Base
- Military Base at Erbil International Airport
- Camp Victory Army Base at Baghdad International Airport
- K1 Air Base
- Balad Air Base
- Al-Taqaddum (Habbaniyah) Air Base
- Ain al-Asad Air Base
- Qayyarah Air Base
- Harir Air Base

The cuts in U.S. and Coalition air activity have been particularly striking. The number of weapons released in Operation Inherent Resolve air strikes peaked in December 2018 at 2,214. They dropped to 900 in March 2019, and then were under 200 a month through December 2019. There were only 68 in January 2020, and 85 in February 2020.⁹⁶

The Emerging U.S. Force Posture in Iraq: Taking a More Positive Stand

The *LIG Quarterly Report* for January 30-March 31, 2020 notes that, the “political impasse (in Iraq) has added uncertainty over the future of the OIR mission and the status of U.S. and Coalition forces in Iraq, according to open source analysts. Although Iraq’s parliament narrowly passed a non-binding vote to evict foreign forces in the country on January 7 following the killing of Soleimani and al Muhandis, Adil Abdul Mahdi indicated that he would leave the formal decision to expel U.S. and Coalition forces to his successor, according to media reports.”⁹⁷

The *LIG Quarterly Report* describes the major changes in the U.S. force posture and the new U.S. goals in dealing with the short-term security issues in Iraq as follows:⁹⁸

Coalition forces transferred control of four Iraqi military bases to the ISF and began to transfer a fifth.

- March 17: CJTF-OIR transferred control of the Al Qaim military base, located on the Iraq-Syria border, to the ISF.
- March 26: CJTF-OIR handed control of Qayyarah Airfield–West (Q West), located near Mosul, to Iraqi forces.
- March 29: The Coalition handed K-1 base located near Kirkuk City over to the ISF.
- March 30: The Coalition transferred Ninewa Operation Center–East to the ISF.
- As the quarter ended, CJTF-OIR was preparing to transfer the Taqaddum Air Base, located west of Baghdad.

On March 20, CJTF-OIR stated in a press release that Coalition personnel stationed at these bases would transfer to a few larger bases in Iraq, where they would continue advising the ISF.... CJTF-OIR reported to the DoD OIG that while the base transfers were scheduled prior to January “due to military success against ISIS,” the transfers were accelerated “in some part due to increased threats presented by malign actors.”

CJTF-OIR reported to the DoD OIG on March 25, 2020, that the “nascent threat of malign actors” and the “change in focus from [defeat-ISIS] operations to force protection,” contributed to the changes in force posture. Specifically, it said that personnel from Task Force-Iraq, a CJTF-OIR task force that works with the ISF, operating from locations outside of Coalition bases discontinued face-to-face interaction with their Iraqi partners, and ground travel to partner locations halted. CJTF-OIR reported that these changes reduced its visibility into partner force activity, noting that the ability to receive information from partnered forces “declined noticeably” ...

...the departure from the Al Qaim military base was possible because of the ISF’s increasing ability to conduct independent operations against ISIS. According to the CJTF-OIR campaign plan, the campaign against ISIS involves four phases. In Phase III, the Coalition sought to liberate Mosul in Iraq and Raqqah in Syria, capitals of ISIS’s self-proclaimed “caliphate,” eliminate ISIS’s “physical means and psychological will” to fight, and support partner forces through training, advising, equipping, and assisting. In Phase IV, the Coalition would provide security, planning, and required support to the Iraqi government and “appropriate authorities” in Syria to stabilize the region...CJTF-OIR reported to the DoD OIG that conditions “appear to be met” to transition from Phase III to Phase IV. In Phase IV, CJTF-OIR will provide greater mentorship to partner.

... force leadership and less support for tactical missions targeting ISIS. According to OUSD(P)/ISA, the Secretary of Defense retains the authority to determine when phase shifts occur; any shift is conditions-

based. When appropriate, in Iraq, ISF training sites would transition to Iraqi-led efforts under Coalition mentorship. Coalition efforts would transition from tactical leadership and training towards institutional leadership and resource programming.

In practice, however, U.S. forces remain, and U.S. commitments continue. The June 2020 security dialogue has helped to reassure Iraq in spite of these developments. So have a series of later statements by the USCENTCOM commander and briefings by the [Combined Joint Task Force-Operation Inherent Resolve](#) (CJTF-OIR).

Gen. Kenneth McKenzie, the commander of USCENTCOM gave an interview in late June stating that, “We’re not going to quit the region in response to Iranian pressure... While Iran may own the early steps of the escalatory ladder because the United States is attempting to avoid conflict. Iran needs to understand that the United States clearly owns the final steps in any escalatory ladder.”⁹⁹

Colonel Myles Caggins, a spokesman for CJTF-OIR, gave a background briefing on June 18, 2020, stating that there were still about 5,200 U.S. troops in Iraq – although this may not have included troops on special or temporary duty. He made it clear that this force level had decreased from nearly 6,000 at the start of 2020. The 800 troops that left were not scheduled to return.¹⁰⁰

In addition, Caggins stated that 1,200 coalition forces had left Iraq due to training halts because of the coronavirus pandemic, and the areas of U.S. troop dispersion and force posture has shifted. Personnel had moved out of six locations: Mosul, Kirkuk, Al-Qa’im, Abu Ghraib, Habbaniyah and Qayyarah Airfield West. Troops remained in Irbil, al-Assad, Camp Taji and the Baghdad cluster, or the Green Zone

He also stated, however, that U.S. forces were continuing the train and assist mission and were not taking aggressive action against hostile pro-Iranian PMFs. He said that U.S. troops were not conducting dismounted patrols, and they did not use heavy armor or other such assets. They relied on Iraqi forces for protection although they retained the ability and right to defend themselves if needed, he said.

Caggins said that that this focus was crucial because the mission of the U.S. troops in Iraq was now to defeat ISIS, and the rocket attacks and other incidents threatening such forces drew attention from that mission. He said that the Iraqis understood this, pursued the source of such attacks when detected and, in some cases, arresting perpetrators when found. At each attack, they traced the launch and collect evidence for potential future criminal cases. “These attacks are definitely a threat; we take them very seriously.”

Additional news reports have shown that the U.S. is taking the need to stay in Iraq more seriously. On July 2020, the U.S. Inherent Resolve Command announced that it was reducing its number of personnel and reorganizing as part of a new approach to support ISF defeat Daesh operations. A brief ceremony recognized Inherent Resolve’s transition to Military Advisor Group, as its TF-I reduced its number of personnel and reorganized as part of a new approach to “support ISF defeat Daesh operations. The MAG will be smaller in size, but with expert specialized capabilities to advise Iraqi security staff and leaders. Former TF-I personnel will return to their home countries or reallocate to support other CJTF-OIR missions.” The full announcement stated that,¹⁰¹

The MAG consists of advisors from 13 Coalition nations, working side-by-side with Iraqi operational command liaison officers in one centralized Baghdad location. The MAG is led by U.S. Marine Brig. Gen. Ryan Rideout.

“It’s an honor, and quite frankly very humbling, to be a part of this mission,” said Rideout to his Iraqi partners at the ceremony. “I look forward to learning from and working with you as we continue to build upon the great success of the Joint Operations Command Center-Iraq.”

As part of the new command structure, Coalition advisor teams will provide specialized planning mentorship to ISF directorates overseeing operations, logistics, intelligence and other military functions. The MAG will include a Joint Operational Command Advisor Team and two Operational Command Advisor Teams. All elements will assist the ISF with operational planning, intelligence fusion, and air support for Iraqi-led military operations to defeat the Daesh threat in Iraq.

After successfully training nearly a quarter million ISF members, shifting the task force’s focus to centralized senior mentoring makes sense, said the departing TF-I commander, U.S. Marine Brig. Gen. Bill Seely. Although TF-I has changed in name and structure, what remains consistent is its focus on enabling the ISF to continue to defeat ISIS terrorist gangs.

“It’s about assisting our Iraqi security partners where and when they request, and matching our capabilities ‘tooth-to-tail’ to best meet that request,” said Seely.

TF-I service members and their Iraqi partners marked the transition with a change of command ceremony in Baghdad. Seely passed an Iraqi officer’s baton, known as a “swagger stick,” to Rideout, symbolizing the transition of command.

“The leadership of the MAG (Coalition forces) and JOC-I (Iraqi forces) going forward will truly change the country of Iraq,” said Seely. “It is truly one team working toward a common goal.”

As the CJTF-OIR mission continues, Coalition efforts will focus more heavily on high-level advising to ISF staff and leadership. In 2020, the ISF have conducted more than 1,200 independent operations against ISIS; the ISF is already better than Daesh. The MAG’s technical advice and access to international military capabilities will enable greater operational reach for ISF missions to defeat Daesh in Iraq.

Due to the success of the Iraqi Security Forces against ISIS, the Coalition transferred small inner-compounds on six Iraqi bases to full Iraqi control between March and May 2020. Now, the new Enhanced Joint Operations Center provides centralized advising for operations across several provinces. The Iraqi Security Forces will get the same quality of Coalition support from fewer Coalition troops, operating from fewer bases.

The command made it clear the ceremony only affected part of the U.S. role in Iraq but that the Task Force Iraq’s transition to a Military Advisor Group was likely to be a lasting one. According to an Operation Inherent Resolve media release, Task Force Iraq had been a one-star subordinate command of Combined Joint Task Force Operation Inherent Resolve, working with Iraqi forces to deal with the remnants of ISIS.¹⁰²

The Military Advisor Group’s personnel numbers would be reduced and it would be structurally reorganized, but the new Task Force Iraq would still have advisors from 13 coalition nations and will mentor Iraqi security force directorates with a focus on high-level advising.

The Military Advisor Group would have a central location in Baghdad from which coalition forces could provide support to the provinces. The centralized command would have Iraqi security force representatives from several provinces where ISIS was a low-level insurgency that could be handled by the security forces. It would provide directorates with operational planning support, intelligence fusion, air support, and specialized planning assistance for a variety of military functions through the use of a planned Joint Operational Command Advisor Team and two Operational Command Advisor Teams, and retain “expert specialized capabilities to advise Iraqi security staff and leaders.”

On July 7th, Marine Gen. Kenneth F. McKenzie Jr., the head of the U.S. Central Command, went further. He made statement commending Prime Ministers Kadhimi for ordering a late June raid on a pro-Iranian PMF discussed earlier in this analysis.¹⁰³

“He’s negotiating a land mine now. I think we need to help him...And he’s just got to kind of find his way, which means we’re going to have less-than-perfect solutions, which is nothing new in Iraq. But... I’m a glass-half-full guy when I look at the prime minister and what he’s doing.”

McKenzie then made a statement to reporters that expressed his Iraqi government would ask U.S. forces to stay in the country despite calls for a withdrawal earlier this year from Iraqi lawmakers angered by Washington’s decision to launch the airstrike that killed Soleimani.

According to a report in the *Washington Post*, U.S. military officials made it clear that they felt some sort of continued presence was necessary given the ongoing threat from Islamic State militants, and that more than 5,000 U.S. troops were currently in Iraq, along with a wide range of other Coalition forces. McKenzie did decline to say how many troops would be needed, saying that was up to civilian leaders. This was scarcely a plan for the future, but it made it clear that senior U.S. official took a security partnership with Iraq and the strategic dialogue very seriously.

Creating Effective Options for a Security Dialogue

There still is a large enough U.S. presence in Iraq to build a to a better strategic relationship, and this report has already described the progress made towards providing a better base for U.S. and Iraqi strategic cooperation, especially with the coming Iraqi-U.S. security dialogue in July. Iraq’s new prime minister, Mustafa al-Kadhimi has also taken steps that clearly move in the right direction.

As has been touched upon earlier, Kadhimi appointed a new Minister of Defense and a new Minister of the Interior on May 6, 2022. He chose proven leaders like Juma Saadoun al-Jubouri as the new Defense Minister, Gen. Othman al-Ghanimi as Minister of the Interior, and Lt. Gen. Abdul-Wahab al-Saadi to head the CTS, and threatened to cut the hand off of anyone who took bribes.¹⁰⁴ He has personally visited the country’s main security agencies – including the Counter Terrorism Service (CTS), the Ministry of Defense (MOD), the Ministry of Interior (MOI), and the headquarters of the Popular Mobilization Forces – in his role as their new commander-in-chief shortly after his confirmation. And, he also seems to have threatened to cut the hand of any officer or official who proved to be corrupt.

As yet, however, Kadhimi’s future intentions regarding the reshaping of Iraqi forces and his plans for strategic relations with the United States remain unclear. There are no detailed Iraqi or U.S. open source plans to deal with Iraqi security and security forces that go beyond the improvement of the ground force counterterrorism capabilities used to defeat ISIS or to develop anything close to the combination of air combat and IS&R capabilities that the United States provided to support Iraqi ground forces against ISIS.

Moreover, creating such Iraqi plans and suitable U.S. and NATO assistance efforts means finding a solution that not only removes Iran’s ability to use Iraqi PMFs and its ability to infiltrate Iraq, but one that provides both Iraqi capability to deter and defend against outside threats and provide suitable security for a U.S. and Allied presence in Iraq that would also support the necessary train and assist capabilities to Iraqi forces.

The most time-sensitive area is finding Iraqi-U.S. answers to the threat Iran and pro-Iranian PMFs pose to a U.S. effort to aid Iraqi forces (and to 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.

1. 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.
2. 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 civilian casualties and the political cost of effective action over time,

The U.S., however, must show Iraq that it is fully committed to helping Iraq bring a full end to ISIS and violent extremism, as well as creating Iraqi forces that can do this on its own. It must make it clear that it has a longer-term strategy that will create a strong and fully sovereign Iraq that can deter and defend against outside *all* outside threats – including an unstable Syria and a Turkey which has repeatedly intervened in North Iraq as well as Iran – rather than serve as a U.S. base that is used to put pressure on Iran.

This includes providing political support and train and assist efforts that address all eight of the broader security needs addressed at the start of this chapter. It means focusing of creating security forces that take full account of the need to serve the Iraq people and preserve the rule of law. It also means direct aid in helping Iraq to rebuild its conventional forces as well as its counterterrorism and other internal security capabilities. The U.S. need to shift away from a focus on arms sales and burden sharing to helping Iraq find lower cost ways to build its forces – using surplus or older equipment and rebuilding and modernizing its current inventory.

The U.S. needs to work with its other Arab partners and European partners to provide such aid. It also needs to consider the special train and assist roles France and Italy can play in helping Iraq develop paramilitary security forces and national police – force capabilities they possess, which the U.S. does not. In many ways, helping Iraq broaden its range of security partners is also the best way to counter Iranian charges and help Iraq obtain outside aid at a time when the Coronavirus has put so much pressure on the global economy.

It also means fully recognizing that armed efforts at counterterrorism can only suppress the current threat or force that threatens to evolve unless Iraq can also address its civil causes. Put simply, helping Iraq build an economy that can help it overcome its ethnic and sectarian divisions and tensions is at least as important a way of ending terrorism and violent extremism as any effort to improve its security forces.

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

Any near-term strategic dialogue between the U.S. and Iraq will start with important limits. Iraq and the United States cannot move forward on a broader level until they address the challenges posed by Iran and pro-Iranian PMFs. Any near-term security dialogue will also be limited in scope

by the fact that Iraq will have a new prime minister who has not had time to show whether he can actually unite and lead the country.

It is still clear, however, that any enduring strategic relationship must go well beyond the past focus on ISIS and the present narrow focus on Iran and pro-Iranian PMFs. 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.

It is important to stress that President Trump's call to congratulate Prime Minister Kadhimi did recognize Iraq's economic crisis when he promised aid. However, there are limits to what the U.S. can do to help Iraq. 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 the reforms of its politics, governance, economy, and security forces. 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 fully clear, although they are – crises that have already triggered a major competition for economic aid and will have a rising impact on military spending and demands for military aid as their level of impact becomes fully clear.

Iraq not only will need to develop a government that is far more unified and effective, it will have to restructure its economy in a world where outside aid will be limited and take several years to recover from the shock of the Coronavirus. The previous analysis also warns how serious the challenge of creating national unity will be. 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 strategic interests and 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 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. 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.

At the same time, any *effective* new U.S. security and aid agreements with Iraq will provide benefits that far outweigh their costs. The US. cannot hope to create a stable Arab/Persian Gulf and a stable flow of Gulf petroleum exports to fuel the global economy, unless Iraq is both secure and stable. Providing critical aid and support to Iraq will be vital to containing Iran, limiting the impact of instability in Syria and Turkey on the Gulf region, and preventing the rebirth of ethnic tensions and conflict as well as new forms of violent religious extremism.

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 any other nation than the United States can provide the aid Iraq needs to emerge as a truly independent power. This means a security dialogue should create arrangements where the U.S. can 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.

It also should include a zero-based examination of U.S. options for aiding Iraq – one that examines the military options in the context of a broader integrated civil-military effort. U.S. military aid does not have to approach the cost of past fighting. There have been many exaggerated estimates of the cost of the Iraq War which add costs to the war with uncertain origins and outyears with other costs that would lead to massive increases in the projected cost of every other aspect of federal spending. The real costs were scarcely cheap, but the total war related DoD obligations – and costs of the fighting from FY2001 to the break-up of most of the ISIS “caliphate” at the end of FY2019 – were \$771 billion out of the Overseas Obligations Costs for all of America’s wars that totaled \$1,575 billion.¹⁰⁵

Chart Nineteen shows the drop in the estimate of the cost of the Iraq and Syria wars from FY2010 to FY2021, as shown in the Overview of the Department of Defense’s FY2021 budget request.¹⁰⁶ The cost for both U.S. combat forces and aid to Iraqi and friendly forces in Syria dropped from \$62 billion in FY2010 to \$7 billion in FY2020 and a request for \$7 billion in FY2021 – these latter costs driven heavily by fighting ISIS in Syria.

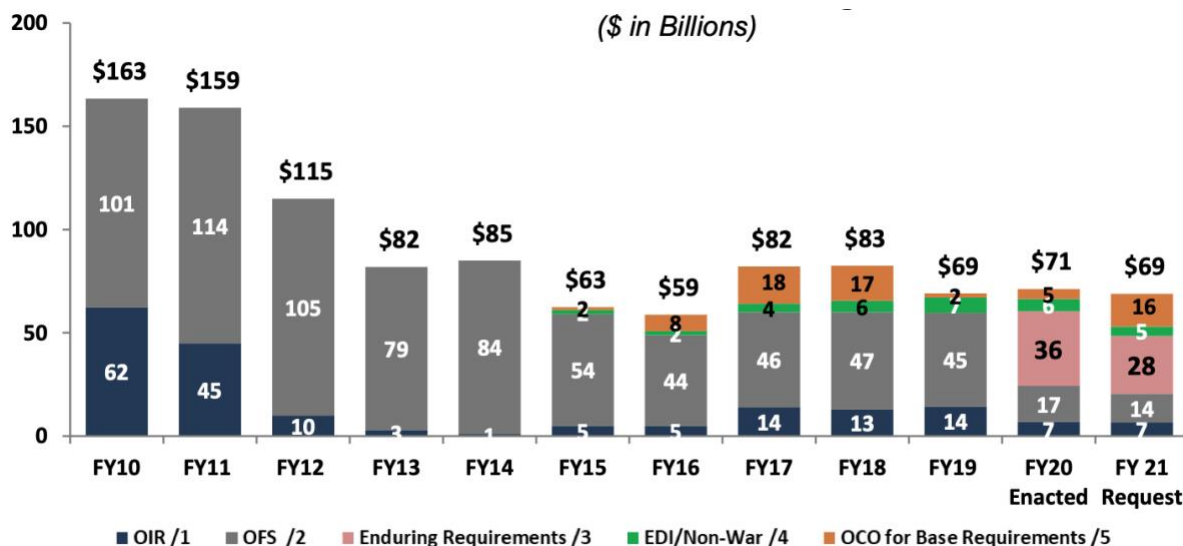
The request does not break down every element of the FY2021 request to show spending on Iraq alone, but the key portions affecting the support of Iraqi forces (as well as the support of Syrian and Afghan) forces show the request is modest by wartime time standards:¹⁰⁷

- **Support for Coalition Forces (\$0.4 billion):** Amounts requested to finance coalition, friendly forces, and a variety of support requirements for key foreign partners who wish to participate in U.S. military operations but lack financial means. Such support reduces the burden on U.S. forces and is critical to overall mission success. The FY 2021 budget request for support for coalition forces includes \$180 million for the Coalition Support Fund (CSF) and \$250 million for the Lift and Sustain program. The FY 2021 CSF request of \$180 million reflects a \$45 million (20 percent) decrease from the FY 2020 enacted level of \$225 million due to the continuing suspension of U.S. security assistance to Pakistan based on the President’s January 4, 2018, guidance. The FY 2021 Lift and Sustain request of \$250 million reflects a \$100 million (67 percent) increase from the FY 2020 enacted level of \$150 million due to anticipated increases in coalition troops participating in U.S. military operations in Afghanistan, Iraq, and Syria.
- **Counter-ISIS Train and Equip Fund (CTEF) (\$0.9 billion):** The U.S. Government’s strategy to counter ISIS directed DoD to conduct a campaign to degrade, dismantle, and ultimately defeat ISIS. The focus of DoD’s efforts is to work “by, with, and through” the Government of Iraq’s Security Forces and Vetted Syrian Opposition (VSO) forces to build key security force capabilities and promote longer term regional stability. The FY 2021 CTEF budget request strengthens the security capabilities of DoD partners countering ISIS to secure territory liberated from ISIS and counter future ISIS threats by training and equipping partner security forces. The training, equipment, and operational support in this request will secure territory previously held by ISIS and prevent its reemergence. The \$845 million request includes \$645 million to assist the Iraqi Security Forces and \$200 million to assist the VSO forces.

- Security Cooperation (\$0.6 billion):** Security Cooperation (SC) funding and authorities enable the United States' ability to assist partner nations in counterterrorism (CT), crisis response and other transnational threats, as well as operations that promote U.S. interests. Security cooperation funding enhances the United States' ability to assist partner nations in counterterrorism (CT), crisis response, and addressing other transnational threats. The NDS Implementation (NDS-I) account, previously the Security Cooperation account, serves as a vital tool in strategic competition, countering transnational threats, and preparing allies and partners to operate in lieu of, or in coalition with, U.S. forces. Activities funded through the NDS-I account primarily assist GCCs efforts pursuant to Section 333 of Chapter 16, 10 U.S. Code to build partner capacity with allied and partner nation security forces. Such activities enable training with foreign forces, support for operations and capacity building, as well as educational, equipping, and training activities between the DoD and national security forces. This funding resource assists the GCCs to conduct CT and border security capacity activities in their individual areas of responsibility. Beginning in FY 2021, OCO funding for the Ministry of Defense Advisors Program (Afghanistan) will be requested as part of the NDS-I account.

These costs are scarcely negligible, but they show that a security assistance program tailored to Iraqi needs and that supported Iraqi spending could certainly be affordable even given the Covid-19 crises.

**Chart Nineteen: U.S. Overseas Contingency Funding: FY2010-
FY2021.¹⁰⁸**



Source: Under Secretary of Defense (Comptroller), Budget Materials, Budget 2021, Overview, Chapter 6, Overseas Contingency Operations, pp. 6.3 and 6.6, https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2021/fy2021_Budget.

The U.S. side of the Iraqi-U.S. strategic dialogue should also recognize that 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 now 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 to both Iraq and its neighbors that its security programs do have time limits unless Iraq faces new threats from the outside, and they are designed to create a strong and independent Iraq rather than a security partner in opposing Iran – also that it will result in phasing out the U.S. presence when Iraq security forces become truly effective. Such a 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.

The United States should also be sensitive to the fact that many Iraqis now have reservations about a U.S. presence and ties to the U.S. that have nothing to do with Iran. The Arab Barometer poll of Iraq quoted earlier found that:¹⁰⁹

A final noteworthy trend relates to views of the United States. While 63 percent of Iraqis want to open up the country to the rest of the world to a greater extent, the U.S. is not one of the countries with which Iraqis generally want stronger relations. Instead, majorities (or near majorities) want ties with China, Turkey, and Russia. That said, there is significant regional variation in views on policies and relationships with the U.S., with the North and West regions of the country generally being more favorable than Baghdad and the South.

...Roughly half prefer that economic relations become stronger with China (51 percent) and Turkey (47 percent), followed by Russia (43 percent). This trend spills into evaluations of foreign policies and preferences for aid. More than twice as many Iraqis believe that Putin’s (38 percent) and Erdoğan’s (37 percent) foreign policies are better for the region than those of Trump (16 percent). Similarly, majorities prefer greater aid from China (57 percent), the European Union (55 percent), and Russia (53 percent).

Results on attitudes toward the United States appear to reflect general fatigue with nearly 15 years of continued American military presence in the country. But there is significant regional variation. Support for stronger ties with the US holds at 35 percent nationally in both 2011 and 2019. At the regional level, however, the majority (52 percent) of Iraqis in the North report wanting stronger ties with the US, compared to a minority across other regions. This likely reflects support for the latest American intervention in Iraq to fight ISIS, an initiative begun by Obama in 2014. While still minorities, Iraqis in the West (22 percent) and North (23 percent) are almost twice as likely to support Trump’s foreign policies as those in Baghdad and the South. Similarly, compared to minority shares in these latter two areas, majorities in the West and North (63 percent and 59 percent, respectively) want increased aid from the US.

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

The United States needs to be careful when it comes to any U.S. effort to aid Iraq in reshaping its 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. However, it should focus on reinforcing the positive trends inside Iraq, and it should not repeat its past efforts to transform Iraq at rates that the Iraqi political system does not support and cannot effectively use and absorb.

Chart Twenty expands the analysis in **Chart Nineteen** to cover different estimates of all of the costs of the U.S. wars in Afghanistan and Iraq/Syria. It is clear that civil programs and activities total well under 10% of total U.S. expenditures for all wars, and totaled some \$48.6 billion during the peak period of U.S. efforts to rebuild and reshape Iraqi governance during the key period of such activities between FY2001 and FY2014, or less than 6% of the total of \$814.6 billion.

Past reporting by the Special Inspector General for Iraqi Reconstruction (SIGIR) shows that much of this money was stolen or wasted on projects that were not completed or did not become effective, and that they were never linked to any clear or consistent plan for Iraqi economic development and reform. It is also clear from USAID reporting that although many projects were

useful and did succeed. USAID never demonstrated that it had the capability of a body like the World Bank to create such national-wide development and reform plans.

The United States should not throw money at Iraq's civil challenges. The U.S. should, however, support economic aid as a key incentive for Iraqi progress in reform and in achieving national unity. Such aid should be as international as possible, and it should be tied to both credible Iraqi plans for development and reform and to clear plans for managing and auditing funds. It should also be conditional on the honesty and effectiveness of each effort, and both Iraq and donors should agree that aid will be conditional and will be halted the moment it is clear that a program is failing or that any Iraq official or contractor is corrupt.

Iraq, the U.S., and other donors must also plan on a basis that most of such aid will be loans rather than grants, although setting criteria for making loans forgivable might ease the strain of such financing. 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 too ineffective in other cases (UNAMA was a dysfunctional mess in dealing with aid in Afghanistan), 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 need to do what it has failed to do in Afghanistan since 2001, and has failed to do in Iraq during 2003-2011. It needs work with Iraq to create a truly conditional economic aid program that is tied to major reforms and the honest and equitable distribution of such aid. The United States should make U.S. aid conditional on the quality of Iraqi leadership and its integrity. Cash flow and adjustments in payment levels or loan repayments should 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 now more concerned with their own greed than any aspect of sovereignty or the welfare of their own people.

Chart Twenty: US DoD and State OCO War Costs: FY2001-FY2019

(Estimate in Budget Authority (\$US In billions of BA), Less interest)

Category	FY2001-FY2014 CRS*	FY2001-FY2016 CRS**	FY2001-FY2018 Cordesman	FY2001-FY2019 Cordesman	Crawford*****
Afghanistan					
• DoD	647.3	-	748.0	794.3	-
• State/USAID	33.6	-	-	-	-
• VA Medical	4.7	-	-	-	-
• Total	743.7****	-	-	-	-
Iraq					
• DoD	753.1	-	764.0	779.3	-
• State	48.6	-	-	-	-
• VA Medical	12.9	-	-	-	-
• Total	814.6****	-	-	-	-
Total OCO/War Cost Report					
• DoD	1,498.7	1,618.2	1,770.0	1,832.5	-
• State	92.7	123.2	161.9	169.9	-
• Sub Total	1,591.4	1,741.4	1,931.9	2,002.4	2,022.0
• Veterans	17.6	?	?	?	353.0
• Total	1,608.9	?	?	?	2,375.0

Reflects June 2014 amended DOD request, excludes OIR. Totals may not add due to rounding.

*Amy Belasco, The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11, CRS RL33110, December 8, 2014, p.19. Costs shown are Enacted Costs

** Lynn M. Williams and Susan B. Epstein -- *Overseas Contingency Operations Funding: Background and Status*, CRS R44519, February 7, 2017

*** Update by author uses total DoD War Cost Report for FY2000/2001-FY2018 and estimates a total of \$1,839 billion in DoD spending between FY2000/FY2001 and FY2019. It also uses OCO data for State/USAID as reported in some of their annual budget submissions. State does not provide a breakout for Afghanistan and Iraq/Syria. It no longer reports separate OCO costs but reports that its spending is planned to total some \$8 billion per year in equivalent expenditures in FY2018 and FY2019.

**** Includes VA medical expenses for FY2001-FY2014 (FY2017?). The data are not fully defined.

***** Draws upon direct DoD, State/USAID, and Veterans costs as estimated by Neta C. Crawford, *United States Budgetary Costs of the Post-9/11 Wars Through FY2019: \$5.9 Trillion Spent and Obligated*, November 14, 2018, [WATSON INSTITUTE FOR INTERNATIONAL AND PUBLIC AFFAIRS](https://watson.brown.edu/costsofwar/figures/2018/budgetary-costs-post-911-wars-through-fy2019-59-trillion), 111 Thayer Street, Brown University, Box 1970 Providence, RI USA 02912-1970, P +1 401 863 2809, November 2018, <https://watson.brown.edu/costsofwar/figures/2018/budgetary-costs-post-911-wars-through-fy2019-59-trillion>

Setting the Right Goals for an Iraqi-U.S. Strategic Relationship

The United States cannot not exorcise all of Iraq's "ghosts," and many of these "ghosts" will haunt Iraq until it actually implements the reforms it must make to help itself. The U.S. should, however, give Iraq valid military and civil aid and support 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 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.

Another key criterion for a successful strategic dialogue and relationship is to make a firm U.S. commitment to staying the course in aiding 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: 2018-2020¹¹⁰

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 19, 2019: IRGC personnel deployed a surface-to-air missile to shoot down a U.S. unmanned aircraft operating over international waters in the Strait of Hormuz. IRGC Commander Hossein Salami announced that Iran had shot down the drone, claiming that it was operating within Iran's territorial waters.

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 Shiite 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 Shahlaei 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 Erbil. 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 an 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 Shi'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 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.

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 of 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 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.

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.

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.”

Previously, on **March 17, 2020**, Tehran [asked](#) the International Monetary Fund for \$5bn in emergency funding to fight the outbreak.

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.

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.

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.

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.

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 millions 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 Habbaniya, 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: Qaani's visit was followed by an unprecedented communique on April 4, signed by eight of the main pro-Iran militias in Iraq's Popular Mobilization Forces (PMF): Harakat Asaib Ahl al-Haq, Kataib Sayyid al-Shuhada, Harakat Ansar Allah al-Awfiya, Harakat Jund al-Imam, Harakat Hezbollah al-Nujaba, Kataib al-Imam Ali, Saraya Ashura, and Saraya al-Khorasani. The statement denounced the continuing U.S. military presence in Iraq and called Zurfi an American agent.

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 4, 2020: Nine Iranian proxy militias under the name "the Islamic Resistance in Iraq" announced they will merge capabilities to expel U.S. forces. The groups include Asa'ib Ahl al-Haq (AAH), Kata'ib Sayyid al-Shahuda, Harakat al-Awfiyah, Harakat Jund al-Imam, Harakat al-Nujaba, Ka'taib Imam Ali, Sarayah 'Ashura, Harakat al-Jihad wal-Binah, and Sarayah al-Khorsani.

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.

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.

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.

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

April 12, 2020: An [IS sniper shot and killed an Iraqi federal policeman](#) at a checkpoint in Hawija.

April 13, 2020: [IS ambushed Iraqi army soldiers](#), federal police and Popular Mobilization Units (PMU) April 13 in Kirkuk province, killing four. The Iraqi forces were looking for captives of theirs taken by IS.

The US-led anti-IS coalition said that its airpower and Iraqi ground operations led to [20 IS fighters being killed near Kirkuk](#).

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.

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."

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.

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.

April 20, 2020: The [Iraqi air force bombed IS targets near Tikrit](#)

The Security Media Cell announced April 20 that an unknown group killed three Iraqi soldiers in Diyala. It also said that IS injured federal police in an attack in Dibis and killed federal police in an attack in Rashad.

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.

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.

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.

April 23, 2020: A top Iranian general warned the United States against "dangerous behavior" in the Persian Gulf and said his forces would target U.S. naval ships that posed a threat to Iran's national security.

April 2020: ISIS claimed 151 attacks in April 2020.

May 6, 2020: U.S. Secretary of State Michael Pompeo called Iraqi Prime Minister Mustafa al-Kadhimi. They discussed the Iraqi government, implementing reforms, addressing COVID-19, and fighting corruption. He also states that the United States will move forward with a 120-day electricity waiver to display U.S. help to support Iraq.

May 6, 2020: Three Katyusha rockets struck near the military sector of the Baghdad airport early on Wednesday but caused no casualties

May 11, 2020: An Iranian support ship Konarak was hit by a new anti-ship missile being tested by an Iranian frigate Jamaran during a military exercise killing 19 sailors and injuring 15 others.

May 14, 2020: The U.S. military offered condolences Thursday to Iran over a friendly fire incident, but also criticized the training for taking place so close to the Strait of Hormuz.

May 17, 2020: Five Iranian tankers likely carrying at least \$45.5 million worth of gasoline sailed to Venezuela.

On **May 20, 2020**, Venezuela's defense minister said that planes and ships from the nation's armed forces will escort Iranian tankers arriving with fuel to the country [in case of any U.S. aggression](#).

On **May 23, 2020**, the first of [five tankers loaded with gasoline](#) sent from Iran reached Venezuelan waters.

May 31, 2020: Iraq imposes a week-long curfew to counter the rapid new wave of infections from COVID-19.

On **June 5, 2020:** Iraq recorded over 1,000 Coronavirus cases in a single day for the first time.

June 3, 2020: Department of Defense (DoD) unveils new plans to begin 12-month unaccompanied tours in Iraq – alongside tours to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE, and Yemen – starting on July 2, 2020. The Pentagon states the order "will not affect the number or readiness of U.S. forces in the region," but it will scale back the number of dependents in the region.

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