

# IMF measures wreak havoc on Iraqi people

James Cogan  
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The disastrous social conditions that exist for the Iraqi people after decades of war and nearly three years of US occupation are being dramatically worsened as a result of International Monetary Fund (IMF)-dictated economic restructuring.

In order to gain a \$685 million IMF loan and the cancellation of some of Iraq's \$120 billion debt, the government of Prime Minister Ibrahim al-Jaafari secretly agreed in December to begin eliminating the subsidies that previously delivered the Iraqi people some of the lowest fuel costs in the world.

On December 19—just four days after the elections in which Jaafari's United Iraqi Alliance (UIA) won more than 45 percent of the vote—the first cut in the fuel subsidy was implemented. The immediate impact was to increase the price of petrol, diesel, cooking gas and kerosene by an average of 500 percent. Petrol rose from just 3 US cents a litre to between 12 and 17 cents.

The broader impact has been soaring inflation, as the increased fuel and transport costs have been passed in the form of price rises for virtually every consumer good. The official inflation rate in January jumped by 5.8 percent to 22 percent. Food prices on average rose by 26.4 percent. A kilogram of tomatoes, for example, increased in price from 350 dinars (23 cents) to more than 500 dinars. The price of meat has risen by 15 percent in Baghdad butchereries.

More price rises are expected. An Iraqi official told the *Washington Post* earlier this month that “the price of benzene (gasoline) will gradually increase in 2006 to reach about 600 dinars (41 cents) per litre”. Another official explained: “We have to meet demands from the IMF. They said the prices should be equal to the prices in neighbouring countries.”

The cuts have been justified on the grounds that the \$7 billion spent on subsidies is needed to finance other areas of government spending. An IMF representative, Bill Murray, told the Cox News Service that while the reduction in fuel subsidies was “an emotional issue”, the Iraqi state had to “come up with budgetary resources to

finance health care, education and other important public services”.

The main cause of the budgetary crisis, however, is the collapse of oil exports. As much as 90 percent of Iraqi government revenue comes from oil sales. Oil production fell 8 percent in 2005 to just 1.5 million to 1.8 million barrels per day, compared with close to 3 million before the war. Due to lack of refining capacity, Iraq now imports—at world market prices—as much as 12 million litres of petrol per day in order to meet domestic demand. Disruptions in supply are causing major shortages across the country, causing fuel prices on the black market to climb far above the official rate and triggering even greater inflationary pressures.

The flow-on of rising fuel costs to consumer goods could lead to prices doubling over the course of the year. There is little prospect that wages will rise in compensation. A vast pool of unemployed labour has been created since the US invasion. The official unemployment rate stands at 28 percent, with the real figure believed to be as high as 50 percent. Thousands more workers are predicted to lose jobs this year due to the privatisation of state-owned companies—also at the IMF's behest—and the rationalisation of their workforces.

Under conditions where some eight million Iraqis live on less than \$1 per day, inflation can only aggravate the country's already appalling rate of malnutrition. A survey published in November 2004 found that chronic childhood malnutrition had doubled since the US invasion to 7.7 percent, with at least a quarter of Iraqi children enduring some degree of malnutrition. Since the publication of that report, conditions have continued to deteriorate, with the food ration system that millions of families depend on crumbling into virtual breakdown.

Some 4.8 million Iraqi families are registered to receive a monthly ration of basic items, such as rice, flour and cooking oil, which is distributed through a network of over 42,000 agencies across the country. Security issues and corruption, however, have led to a situation where supplies often do not arrive in sufficient quantity or do not

arrive at all. Families who do not receive a complete ration must apply to the state for compensation and wait months for a cheque to be issued. In the meantime, they go hungry.

The Bush administration and the IMF have made clear that as well as further fuel subsidy cuts, it expects the Iraqi government to drastically curtail the number of people eligible for food rations. Thomas Delare, the US economic advisor to the Iraqi government, told a press conference last month that while the slashing the scheme was not part of the IMF's agenda for 2006, a full census was needed to determine how many people required continued support just to sustain themselves.

A comment in the Iraqi newspaper *Azzaman* on February 8 noted: "Any further hikes in fuel rates are bound to backfire on the new government and are very likely to lead to large-scale rioting. But the scrapping of food rations will have far graver consequences as millions of Iraqis will find it almost impossible to make ends meet without them."

At the same time, millions of Iraqis are suffering under the impact of the collapse of other aspects of social infrastructure.

Since the New Year, more than 500,000 residents of Baghdad can only get water for a few hours a day due to the inability of the city's water purifying plant to meet demand and the leaking pipes. Hundreds of water trucks have had to be brought in to supply residents of key working class suburbs such as Sadr City. A resident of the suburb, Safwat Ali, told IRIN News this month: "I have to walk almost six kilometres to get clean water when the improvised tanks are empty. It's a shame for a country surrounded by two of the biggest rivers in the Middle East."

A US Senate Foreign Relations Committee hearing early this month was told that 65 percent of the water from Iraqi water plants was subject to leaking and may become contaminated by sewerage. Joseph Christoff from the Government Accountability Office told the committee: "So we really don't know how many households get potable, drinking water."

Millions of Iraqis are living in overcrowded housing—a problem that will be exacerbated by rising rents. Little has been done to alleviate the situation over the past two-and-a-half years. According to the Iraqi Housing Department, 250,000 families in the southern city of Basra have no house of their own and are living in cramped conditions with other families. Only 550 new housing units have been built in the city of 2.5 million since the invasion.

Iraq was believed to be short 1.5 million housing units before the US invasion due to the economic stagnation caused by more than 12 years of UN sanctions. The Housing Department built only 20,000 new homes during 2005. US military operations, particularly the offensives in cities such as Fallujah, Samarra and Tal Afar, have most likely destroyed or damaged many more.

Iraq's power generation and supply grid, which was only operating at half its capacity before the US invasion, is now in a state of collapse. Total power generation in Iraq has slumped to just 3,700 megawatts compared with 4,300 megawatts before March 2003. Households in Baghdad receive on average just two to six hours of electricity per day. Hospitals, schools and private homes are reliant on diesel generators—the cost of which has now skyrocketed due to the fuel price rises.

The US occupation authority claimed in 2003 it would boost electricity generation to 6,000 megawatts by mid-2004. The Iraqi electricity minister Mohsen Shlash reported last month that most of the \$4.7 billion that was allocated to electricity reconstruction in 2003 was price-gouged by US contractors or spent on security.

In all, \$16 billion of US-sourced money has been spent on alleged reconstruction and social projects, along with as much as \$40 billion of Iraqi funds appropriated by the occupation or in Iraqi government budgets. While Iraq's infrastructure still lies in ruins, billions of dollars have flowed into the coffers of US companies like Haliburton, while billions more are simply unaccounted for.



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