Economic conditions worsen in Iraq

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The assessments in Washington that Iraq will soon be a relatively stable US client state in the Middle East are beginning to look even more fanciful. After six years of occupation and repression, millions of Iraqis now face a further deterioration in their already appalling living standards due to the unprecedented collapse in world production and trade.

The revenue flowing to the government of Prime Minister Nouri al-Maliki from oil exports is plummeting. Based on forecasts that oil prices would remain over $100 a barrel, the original budget for 2009 was $US79 billion—a significant portion of which was supposed to be allocated toward rebuilding the infrastructure that has been devastated during the past six years.

By November, with oil prices below $40, spending for this year was slashed to $62 billion. This month, the parliament forced the budget to be lowered again, to just $58.9 billion, as the oil price had not recovered to $50. Instead, global demand for petroleum products is still contracting, even at the lower prices. Iraqi oil exports by volume fell by 5 percent in February, compared with January. International stockpiles of petrol also rose, suggesting that demand will continue to drop.

The Iraqi state derives 86 percent of its revenue from oil exports. The slump means that up to 40 percent of the budget will be needed just to pay the salaries and wages of the estimated 2.8 million public sector workers. A further 40 percent will be absorbed by pensions and the public food distribution scheme that provides minimal nutrition for Iraq's poor.

Resources will not be available to repair water purification facilities, rebuild shattered sewerage lines, construct new power plants or fund Iraq's barely functioning education and health systems. Patrick Cockburn of the British *Independent* reported on March 15 that the Iraqi government was seeking to delay a $7 billion contract for turbines and related power equipment because it had run out of money.

Even with reduced spending, there could be a substantial budget deficit. To avoid borrowing, the Maliki government intends to tap into the $30 billion development fund managed by the finance ministry, or plunder the $44 billion held by the Iraqi Central Bank. With potential deficits of between $20 and $30 billion, these reserves state could be liquidated within a matter of three years—without any meaningful reconstruction having taken place.

The budget crisis coincides with burgeoning demands among the working class and rural poor for relief.

US military operations, sectarian violence and the collapse of the health system have caused some one million deaths over the past six years, and wounded and traumatised millions more. Up to five million people have fled the country or are internally displaced persons. There is no steady supply of electricity and, in many places, no reliable source of clean water. Raw sewage still seeps into the streets in areas such as the working class district of Sadr City in Baghdad.

Unemployment and poverty are endemic. A UN study published in January concluded that 18 percent of the workforce is unemployed and a further 10 percent are underemployed. Some 60 percent of full-time jobs in Iraq are in the public sector—many in the military or police. Since the US invasion, numerous small to medium private businesses have shut down, primarily due to security concerns and the collapse of living standards.

Just 17 percent of women participate in the labour force, and of these, 23 percent are unemployed. This is despite the fact that an Oxfam survey of Iraqi women found that 35.5 percent of respondents were the head of their household and the principal breadwinner. There are an estimated 740,000 widows in the country. Tens of thousands of families headed by women rely on family assistance or religious charities to survive.

In a bid to shore up government finances, the Maliki government is preparing to give transnational energy corporations greater concessions in exchange for developing Iraq's numerous untapped oil and gas fields.

Oil minister Hussain Al-Shahristani announced last week that 65 potential new oil fields will be put up for bid. Desperate for up to $50 billion, Iraqi officials announced that foreign interests would be able to own as much as 75 percent of the joint companies granted licenses to explore and drill for resources. They also stated that Iraq was prepared to grant controversial production sharing agreements (PSAs), under which foreign companies gain a contracted share of the profits from oil sales for up to 30 years or more, rather than a set payment.

The turning over of Iraq's energy resources to foreign corporate concerns—which many Iraqis rightly view as one of the main motives for the 2003 invasion—will inevitably generate anger and opposition, particularly under conditions where the majority of the population live in poverty.

The prospect of unrest against US forces and the Iraqi government will be further fuelled by the fact that the successful political parties in January's provincial elections made promises to raise living standards, which will now not be kept.