

Iraq's economic and political crisis threatens to ignite new upheavals

Jean Shaoul

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Prime Minister Mustafa al-Kadhimi has failed to meet any of the social and political demands of the hundreds of thousands of Iraqis who took to the streets in October last year and forced the resignation of Adel Abdul Mahdi's government.

His caretaker government, widely viewed as Iraq's "last chance," is now discredited and reviled.

The mass demonstrations were the result of growing anger among young people unable to find jobs, under conditions where 60 percent of the population is under 24 and most young people have no work. Over 90 percent of Iraqi jobs are casual, day-labour jobs in the informal sector, with just 10 percent providing regular employment, largely in the public sector and allocated on the basis of Iraq's sectarian political system.

Repression of the initial protests—more than 560 demonstrators were killed and thousands injured as the government sought to disperse the crowds—led to their mushrooming into a generalised uprising against the conditions of poverty, the failure of essential social services and the endemic corruption in the sectarian-based regime ushered in by the US-UK military occupation after the criminal US-led invasion of 2003.

Successive Iraqi governments have presided over obscene levels of social inequality in a country that in 2009 was the world's fifth-largest oil producer. Its immense wealth has been looted by the multinational oil corporations and banks as well as Iraq's politically connected kleptocrats. In May, the UN predicted that poverty would rise to 40 percent of Iraq's 39 million population because of the pandemic restrictions and falling oil prices. According to ReliefWeb, around 8 percent of households (3 million people) were not getting enough to eat in September.

While al-Kadhimi, a former intelligence chief and a Washington stooge who had promised "justice" for those killed during the protests, has pledged \$8,400 for the families to cover funeral and burial expenses, none of those responsible have been prosecuted.

He had also pledged to hold elections next June, but this is

looking increasingly unlikely as he has been unable to get agreement on new legislation that would overturn Iraq's sectarian political system, as demanded by the protest movement.

His government has slipped ever deeper into crises on several fronts. With more than 500,000 COVID-19 cases and nearly 12,000 deaths, hospitals have been overwhelmed. Iraq's health care system, once the best in the Arab world, was gutted by the 1991 Gulf War, a decade of US sanctions, the 2003 US-led war and occupation of Iraq, and the terrible political sectarian system imposed by Washington. Health care budgets were turned into a mechanism for doling out patronage, while hospitals became a place to die.

The government faces a catastrophic financial crisis and teeters on the brink of insolvency. Dependent upon oil for 95 percent of its revenues—based on a price of \$56 a barrel as opposed to the current price of \$40—it faces a 45 percent budget cut for 2020, according to parliament's Economic and Investment Committee. While al-Kadhimi had sought parliament's approval to borrow \$34 billion, parliament sanctioned just \$10 billion, barely enough to cover the wages for 4 million government employees, who have seen their salaries delayed for nearly two months, until the end of the year.

As well as adding to the government's debt, which stood at \$133.3 billion in September and constitutes 80 percent of GDP, and interest repayments that consume at least 10 percent of the budget, this has further strained relations with the semi-autonomous Kurdistan Regional Government (KRG), where three out of four workers are paid by the regional government to which the federal government in Baghdad pays \$270 million, a reduction from an earlier agreement under which it paid \$400 million a month, after the KRG began to export its oil independently.

As the government eats through its foreign currency reserves (under US control in New York) and faces the prospect of having to devalue its currency, it is in urgent need of about \$40 billion in external financing. That will only be forthcoming if it falls in line with Washington's

political and economic requirements—curbing the power of Iranian-backed militias and politicians and implementing economic “reforms,” privatisations and above all the slashing of public sector wages and benefits that will further impoverish Iraqi workers and their families.

At a meeting in London last month, Iraq agreed to the establishment of an international financial alliance, to be known as the Iraq Economic Contact Group, consisting of the G-7 countries, the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development, the Iraqi Finance Ministry, the Central Bank of Iraq and the Finance Committee, to monitor Iraq’s economic performance, effectively turning Iraq into a colony in all but name.

The cabinet has now approved plans to halve the public sector wage bill and slash the budget deficit, threatening to ignite a mass political upheaval far greater than that of October 2019.

Iraq has become a key political battleground in US imperialism’s militaristic confrontation with Iran, further exacerbating the crisis. This in turn is bound up with Washington’s buildup for “great power” confrontation with China—attempting to use military force to establish a chokehold over the energy resources upon which the Chinese economy depends.

While Baghdad had agreed in mid-2019 to a 20-year deal to supply Beijing with 3 million barrels of oil a month in exchange for Chinese investments in projects to repair Iraq’s war-damaged infrastructure, *Alqutisad News* cited Ali Saadoun, a member of the parliamentary economy and investment committee, as saying this had been frozen due to pressure from Washington.

In contrast, al-Kadhimi’s government has signed several economic and investment agreements with Saudi Arabia in order to limit Iraq’s dependence upon Iran. The two countries have opened to both goods and people the land border crossing at Arar in Anbar province that was shut after Saddam Hussein invaded Kuwait in 1990.

After unilaterally abrogating the 2015 nuclear accord with Iran, the Trump administration has imposed ever-harsher sanctions on Tehran as well as pro-Iran militia leaders and politicians in Iraq as part of its “maximum pressure campaign” designed to bring about regime change. While Iraq, whose economy is inextricably linked to Iran’s, was initially granted repeated six-month waivers, the latest 45-day waiver is set to expire before President Donald Trump leaves office on January 20 and amid threats that the waivers will end completely.

Tensions escalated sharply in January following the targeted assassination in Baghdad of senior Iranian commander Qassem Suleimani and Abu Mahdi al-

Muhandis, a prominent member of the Iraqi government and deputy commander of Iraq’s Hashd al-Shaabi, an Iran-backed umbrella organisation of militias. These Shiite militias played the predominant role in the ground fighting against the Islamic State of Iraq and Syria (ISIS) which overran western Iraq in 2014, routing US-trained security forces, and have since been incorporated into Iraq’s armed forces. The assassinations further fueled popular hostility to Washington, with mass demonstrations demanding the immediate withdrawal of US troops from the country.

The Trump administration has demanded that Baghdad rein in the Shiite militias. They have repeatedly fired rockets into the Green Zone, the heavily fortified area that houses the US and other embassies as well as US military forces and contractors, and attacked the convoys supplying US facilities in the zone.

In September, US Secretary of State Mike Pompeo threatened to close the US embassy in Baghdad as a prelude to US military attacks aimed at “liquidating” Shia militia elements charged with responsibility for attacks on US facilities in the country. He specifically named Kata’ib Hezbollah, which al-Muhandis led before his assassination, and Asa’ib Ahl al-Haq.

Despite a détente declared last month, there have been further rocket attacks targeting the US embassy and a nearby military installation in Baghdad, with a previously unknown armed group called Ashab al-Kahf claiming responsibility.

Iran sent General Esmail Ghaani, Suleimani’s successor as head of Iran’s Quds Force, to meet militia and political leaders in Baghdad, reportedly telling them to “stand down to avoid giving Trump the opportunity to initiate a fresh tit-for-tat round of violence.” But Qais al-Khazali, the leader of Asa’ib Ahl Al-Haq, told Iraqi state television that the conditions of the détente had not been met, and that “we will demonstrate the full right to military confrontation with the foreign forces.”



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