



Iraq and U.S. Policy

Iraq Prepares for October 2021 Election as Security, Fiscal Challenges Persist

Iraq is preparing for a national election planned for October 10, 2021, roughly six months earlier than required, but later than originally proposed. Since ending the Islamic State (IS, aka ISIS/ISIL) group's control of territory in Iraq in 2017, Iraqis have sought more accountable governance, improved service delivery, and greater economic opportunity. Security institutions have used force to contain and disperse mass demonstrations, and a shadowy campaign of violence by militia actors has sought to silence activists.

Prime Minister Mustafa al Kadhimi has led Iraq's government since May 2020, after months of political deadlock following the protestor-demanded resignation in late 2019 of his predecessor. Extensive negotiations leading to Kadhimi's nomination occurred during a period of serious escalation in U.S.-Iran tensions that played out through attacks in Iraq. Ongoing attacks by Iran-backed groups targeting U.S. and Coalition forces—and their Iraqi hosts—have tested Kadhimi's tenure.

Continued dependence on oil revenues and expansive state liabilities left Iraq vulnerable to financial collapse in 2020, as the systemic effects of the Coronavirus Disease-2019 (COVID-19) pandemic exacerbated underlying economic and fiscal challenges. Strains between the national government and the federally recognized Kurdistan Regional Government (KRG) have not been resolved, and remnants of the Islamic State group exploit resulting weaknesses in Iraqi security arrangements.

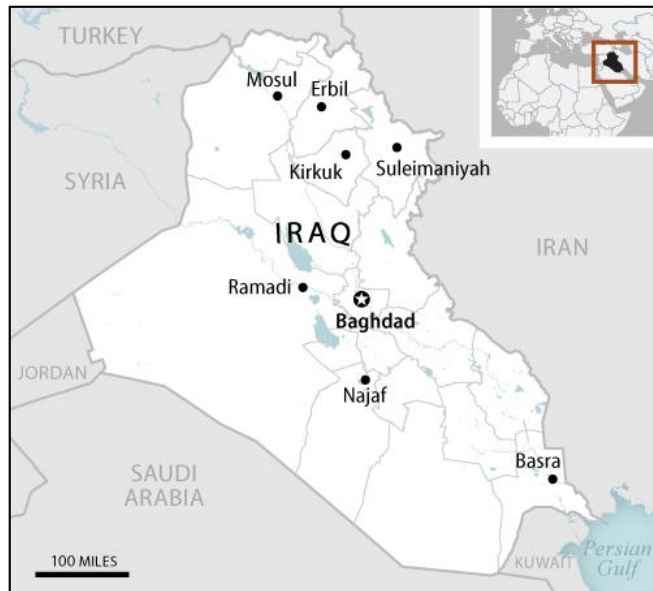
Protests subsided in early 2020 amid COVID-19 mitigation measures, but again spread and intensified in May 2021, with demonstrators insisting that the government identify and prosecute suspects in a series of assassinations and kidnappings since 2020 of protest leaders, activists, and a prominent security researcher. These incidents have intensified public scrutiny of Prime Minister Al Kadhimi's credibility and his government's ability to act against armed groups operating outside state control.

New Election Law, Established Political Elites

In late 2019, Iraq's parliament (Council of Representatives, COR) adopted a new election law to replace the country's list-based electoral system with an individual candidate- and district-based system. In October 2020, the COR finalized the law, creating 83 multi-seat electoral districts in which candidates will compete as individuals rather than running as members of party lists across governorate (province)-wide districts. Some voting systems experts and observers of Iraqi politics warn that the electoral system changes alone will not ensure more accountable leadership or result in better governance. Established politicians have organized into coalitions that largely mirror those that competed in the 2018 national election. Individuals

associated with the protest movement may compete in the election, though some have called for an electoral boycott.

Figure 1. Iraq



Sources: CRS, using ESRI and U.S. State Department data.

Economic and Fiscal Difficulties Mount

During 2020, COVID-19 mitigation measures deepened an economic contraction that had already begun in urban areas paralyzed by protests in late 2019. In parallel, a precipitous drop in global oil prices slashed state revenues through the middle of 2020, but price increases have since created some fiscal breathing room. Iraq estimates that its gross domestic product declined 11% in 2020, and the budget deficit grew to 20%. Iraq remains dependent on oil exports for more than 90% of its budget revenue, most of which pays salaries and benefits to state employees and retirees. The International Monetary Fund has recommended “reversing the unsustainable expansion of wage and pension bills, reducing inefficient energy subsidies, and raising non-oil revenues,” along with supporting vulnerable citizens with targeted cash transfers.

Iraqi leaders publicly describe the condition of state finances as dire, but they have not changed patterns of state spending fundamentally. After the COR declined to approve a 2020 budget, it granted the government approval to borrow to pay state salaries in November 2020. In December 2020, the Central Bank of Iraq devalued the dinar by more than 20% relative to the U.S. dollar, allowing the government to more easily meet domestic payment commitments, but raising consumer fears of inflation. Since 2020, protests have followed some cabinet-approved public spending cuts, and some politicians have derided austerity measures in populist critiques of the government. The COR-approved 2021 budget did not include some cabinet-

proposed spending reforms. The \$89 billion budget foresees a \$20 billion deficit based on an assumed oil price of \$45 per barrel (The June 3 OPEC Basket price was \$69.89.)

Islamic State Remnants and Militias Pose Threats

Iraqi forces continue to combat remaining Islamic State insurgents, who retain an ability to operate in rural areas and particularly in under-secured, disputed territories between the Kurdistan region of northern Iraq and areas to the south secured by national government forces. U.S. military oversight reporting stated that in the first half of 2021, the Islamic State maintained an insurgency in Iraq, but “remained territorially defeated, controlled no major population centers, and had limited finances at its disposal.”

Tensions involving militia groups have remained high following a series of attacks by Iran-backed groups in Iraq during 2019, the January 2020 U.S. killing in Iraq of Iranian Islamic Revolutionary Guard Qods Force Commander Qassem Soleimani and Iraqi Popular Mobilization Forces (PMF) leader Abu Mahdi al Muhandis, and retaliatory Iranian attacks on Iraqi sites hosting U.S. forces. In January 2020, the COR voted to direct then-acting Prime Minister Adel Abd Al Mahdi to remove foreign forces from Iraq, but Prime Minister Al Kadhim instead has reaffirmed Iraq’s invitation for U.S. and Coalition forces to remain, subject to agreed terms. Rocket and improvised explosive device (IED) attacks against U.S. and Iraqi facilities and convoys are ongoing, and reports suggest some attackers are now using explosive-laden drones. U.S. military officials report that militia threats have not disrupted counter-IS operations.

COVID-19 Surges, Vaccines Arrive

Iraq’s public and private health systems have significant shortcomings and limited capacity. The World Bank estimates that Iraq has 0.8 physicians and 1.3 hospital beds per 1,000 people (below the global averages of 1.5 and 2.7, respectively). Data is incomplete, but reported COVID-19 infections increased through August 2020 and then declined before resurging in 2021, with new case rates reaching a peak of more than 8,500 daily in late April before declining again. As of June 3, Iraq had recorded more than 1,200,000 COVID-19 cases with more than 16,430 deaths. Iraq received some Sinopharm vaccine from China and is receiving shipments of other vaccines via the COVID-19 Vaccines Global Access Facility (COVAX) that should allow for vaccination of 20% of its population in 2021.

Views from the Kurdistan Region

Leaders of Iraq’s Kurdistan Regional Government (KRG) seek to preserve the Kurdistan federal region’s rights under Iraq’s constitution and remain engaged with counterparts in Baghdad to resolve differences over oil production, the budget, disputed territories, and security. The two largest Kurdish parties, the Erbil-based Kurdistan Democratic Party (KDP) and the Suleimaniyah-based Patriotic Union of Kurdistan (PUK), hold significant numbers of COR seats and won the most seats in the KRG’s September 2018 regional election. KDP leader Masrour Barzani serves as KRG Prime Minister. His cousin Nechirvan Barzani is KRG President. The KRG’s internal fiscal situation has been severely strained in recent years. In March 2021 KRG and national government leaders reached a new budget agreement, although U.N. Special Representative of the

Secretary-General (SRSG) Jeanine Hennis-Plasschaert warned in May 2021 that “ambiguous wording opens the door to divergent interpretations and mutual accusations of non-compliance.” Human rights in the Kurdistan region have come under additional scrutiny since the October 2020 arrests and subsequent convictions and sentencing of individuals who had reported on corruption and protests. The U.S. government has resumed paying stipends to peshmerga fighters associated with the KRG Ministry of Peshmerga Affairs Regional Guard Brigades.

Partnership with the United States

On April 7, 2021, U.S. and Iraqi officials concluded the third round of strategic dialogue between the two governments, and “reaffirmed their strong bilateral relationship.” Started in 2020, the talks proceed with reference to the bilateral 2008 Strategic Framework Agreement, and address issues in areas such as security, economic development, energy, natural resources, human rights, consular affairs, and cultural exchange. The Biden Administration renewed a sanctions waiver on specific Iraqi energy purchases from Iran in March 2021. U.S. officials continue to advocate for Iraqi protestors’ rights to demonstrate and express themselves, while urging Iraqi leaders to investigate and prosecute related killings.

Since March 2020, the U.S. Embassy in Baghdad has operated under ordered departure rules because of “security conditions and restricted travel options as a result of the COVID-19 pandemic.” The U.S. Consulate in Erbil remains open; the State Department suspended operations at the U.S. Consulate in the southern city of Basrah in 2018.

Iraqi and U.S. officials have endorsed continued security cooperation, including a U.S. military presence. U.S. force levels in Iraq declined from 5,200 in 2020 to 2,500 in January 2021, based on U.S. assessments that Iraq’s security forces increasingly are capable of independent operations against the remnants of the Islamic State group. Congress has authorized U.S. train and equip programs for Iraq through December 2021, including aid to KRG forces, and has appropriated defense funding for train and equip programs in Iraq through September 2022. Since 2014, Congress has allocated nearly \$7 billion for train and equip programs for Iraqis. The Biden Administration’s FY2022 defense appropriations request seeks \$345 million for train and equip efforts under Iraq-specific authorities, including \$240 million for KRG peshmerga stipends.

The United States provides foreign aid in Iraq in support of de-mining programs, public sector financial management reform, U.N.-coordinated stabilization, and other goals. The U.S. government has obligated more than \$405 million for stabilization of liberated areas of Iraq since 2016, including funds for religious and ethnic minority communities. Congress allocated \$454.1 million for U.S. foreign aid programs in Iraq in FY2021. The Biden Administration has requested \$448.5 million for FY2022. The United States is the top humanitarian funding donor for Iraq and provided more than \$348 million in humanitarian aid for Iraq in FY2020 and FY2021, including more than \$47 million for COVID-19 programs. Nearly 1.2 million Iraqis remain internally displaced and many more are in need of aid.

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