

# PROTESTS IN IRAQ AND THE ECONOMIC GROUNDS BEHIND THEM



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## Introduction

A new wave of demonstrations has erupted in Iraq. Although the speed of the demonstrations that started on October 1, 2019, stopped within about a week, it seems difficult to say that the problems that led to the protests were solved and it is likely that these demonstrations would continue. In this sense, it can be argued that the Iraqi people have eventually broken their chains. The most prominent feature of the demonstrations is that they are being led by young people. According to the population data in Iraq, considering that the population under the age of 35 is approximately 75 percent of the whole population, it is appropriate to contend that young people have started a new process in Iraq and want change.

The first starting point of the recent demonstrations was that Iraqi Prime Minister Adil Abdulmahdi dismissed Abdul-Wahab al-Saadi, Commander of the Counterterrorism Unit. Saadi is a beloved commander of all Iraqis, regardless of their ethnic, religious or sectarian identity. However, he is also known for his proximity to the United States.

It is possible to say that the young population in Iraq has increased their presence in almost every field from politics to social life. It can be seen that the main element in the demonstrations is the opposition to unemployment and corruption in the country. However, it is not right to identify these problems only by looking at the

present but rather it can be held that the process which Iraq is going through today is cumulative. In other words, it should be evaluated as a reaction to the new order set in the wake of the US invasion of Iraq in 2003 and within the general dynamics of the country.

## Internal and External Factors behind the Demonstrations

Within the demonstrations in Iraq, internal and external factors are intertwined. When we look at the internal dynamics of the protests; it is possible to see the problems caused by the disorder in the state order and the conflicts in the country. In the new post-2003 order in Iraq, the state did not yet manage to complete its institutionalization. It can be seen that the political polarization across the country spread to the state and the governance mechanism due to a state mechanism shaped entirely by politics. The multipartite structure of politics in Iraq adversely affects the state administration. Looking at the governments established so far, a government structure is seen to have been formed, in which all groups entitled to be represented in the Iraqi Parliament take their seats in the government called “national unity government”. At this point, it can be said that there is a lack of opposition to balance the government. However, due to the nature of divergent politics, all ethnic, religious and sectarian political formations in the government have served their group’s interests instead of benefitting the state and public and groups that are dissatisfied with their position or which want more shares to have started internal opposition. This has led to congestion in administrative processes and the state has become ineffective. The prime minister has served as a moderator and had to give privileges to or administer all parties in order to keep the government alive and thus the mistakes made were covered, Today Iraq is facing a serious spiral of

corruption. According to the World Transparency Organization, Iraq ranks 168th out of 180 countries. Since 2003, it has been reported that \$ 450 billions of public funds has been missing in Iraq. Indeed, the state has difficulty in providing even simple public services to its citizens. In Iraq, which ranks fourth in terms of world proven oil reserves, living conditions have reached a point where people cannot be patient because even simple public services such as electricity, water, health and transportation cannot be fully provided.

The first starting point of the recent demonstrations was the point that Iraqi Prime Minister Adil Abdulmahdi dismissed Abdul-Wahab al-Saadi, Commander of the Counterterrorism Unit. Saadi is a beloved commander of all Iraqis, regardless of their ethnic, religious or sectarian identity, but is also known for his proximity to the United States. However, Saadi's success in the fight against ISIS and his attitude in the fight against corruption within the Anti-Terror Unit are appreciated by all Iraqi people. As a matter of fact, following the dismissal of Saadi, social media reactions grew like an avalanche and caused street demonstrations to begin.

At this point, it is useful to mention the external factors that lead to demonstrations. When the external factors are touched upon, the first factor that comes to mind is the US-Iran conflict. It would not be wrong to say that the US-Iran conflict in the country is one of the main factors in Saadi's dismissal. A few weeks before the dismissal of Saadi, Hashd al-Shaabi, the main actor of the war against ISIS, later transformed the popular support it gained due to its struggle against the terrorist organization into political gains. The post of deputy chair of the Hashd al-Shaabi Delegation was abolished and Abu Mehdi Engineer, known as the most influential person in the field and known for his proximity

to Iran, was forced to retire. That the given action resulted from the pressure of the United States was one of the most discussed issues. In return, Saadi is said to have been dismissed because of Iranian pressure. It would not be wrong to hold that the US-Iran conflict, which is embodied by these changes, is reflected in all areas in Iraq. It was clearly seen in the demonstrations that, the people are now seriously disturbed by this conflict and that, they want a country independent from external interference. This request was reflected in the slogans in the demonstrations. Slogans such as "killer America", "Iran out", "free Baghdad" and "free Iraq" were frequently shouted at the demonstrations. In addition, the buildings of militia groups and some political parties were targeted and the flags of the U.S., Iran and Israel were set on fire.

“On Friday, October 4, Ayatollah Ali Al-Sistani, leading Shiite religious authority in Iraq, condemned the violence against the protesters in the sermon and criticized the government for not carrying out reforms.”

In spite of all this that has happened, neither the prime minister nor the political groups nor the religious authority took full responsibility; on the contrary, they all tried to shift the responsibility from themselves over to one another. On Friday, October 4, Ayatollah Ali Al-Sistani, leading Shiite religious authority in Iraq, condemned the violence against the protesters in the sermon and criticized the government for not carrying out reforms. Sistani also stated that the fight against corruption should continue and that the

protests would stop only temporarily if a real step was not taken and that they had warned the previous government about what is happening today, but their warning had not been taken into account. Muqtada al-Sadr then called for the resignation of the government and an early election under international supervision. Former Prime Minister Heydar al-Abadi supported this idea. Already the leader of the Hikme Movement, Ammar al-Hekim has announced that he has withdrawn from the government and formed an opposition group in the parliament. On the other hand, the Fatah list led by Hadi al-Amiri announced that they gave Adil Abdulmahdi every kind of authority to carry out the reforms.

The Iraqi government first announced a reform package, and then carried out a cabinet revision on October 10, 2019. Jafaar Allawi's name was approved by the Iraqi Parliament to replace the former Minister of Health who resigned before the demonstrations had begun, and Suha Khalil became the new Minister of Education.

However, it is not possible to say that the tension in Iraq has decreased. Despite all the calls for sobriety, explanations, curfews, and harsh in-

terventions, the tension of the people did not decrease, and more than 100 people lost their lives and more than 6 thousand people were injured in the demonstrations.

The most important evidence that shows the main factor behind the recent street movements is economic instability is the reform package declared by the Iraqi government to calm the demonstrations. As stated before, the reform package provided for;

- The application for land allocated to low-income holders in all cities and the completion of the distribution of 17 thousand unit of allocated land within 4 weeks in the city of Basra,
- The preparation and implementation of a national resettlement program covering the construction of 100,000 houses throughout the country, giving priority to the poorest regions and cities, and establishing committees for identifying families in need,
- The empowerment by the Ministry of Finance of the current housing fund to increase the number of housing builders and borrowers in the lands to be allocated, and its inclusion in the 2020 budget and the exemption of loans from interest,



- 175,000 dinars (\$ 147) aid per month for 150,000 unemployed persons who cannot work,
- The preparation of training programs for 150 thousand young people in the country and the provision of 175,000 dinars to each of them during the 3-month training period, and of suitable loans for those who are successful in these programs to be employed in investment companies or to launch medium and small enterprises,
- To identify 600 thousand disadvantaged families to be provided with social assistance by the governorates in coordination with the social assistance departments of the Ministry of Labor and Social Services,
- The declaration of the protesters and the security forces who lost their lives in the protests as “martyrs” and the provision to their families of all their rights and privileges, the undertaking by the Ministry of Health of the treatment of the wounded from the security forces and the payment by the government of all costs including the treatment of the wounded abroad.

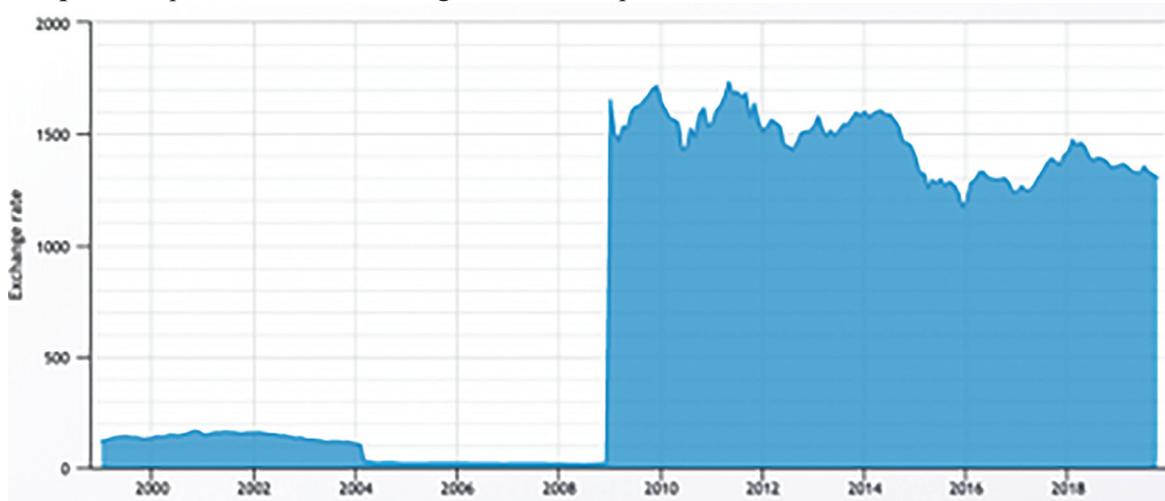
It has been also stated that a second reform package will be prepared.

As can be seen from the content of the reform package, measures to increase the employment and welfare of the lower-income group are taken as a priority. Considering the fact that the young population in the country constitutes a large part of the population and that young people lead the way in street protests, the importance and necessity of reform, including employment packages for young people, is also coming to the forefront.

### Indicator of instability: Basic Macroeconomic Factors

The Iraqi Dinar followed a stable line from 2003 to 2009. As mentioned above, In Iraq, which has hosted a sectarian and unstable government since 2003, sectarian conflicts started between the Sunnis who were excluded from the administration and the Shiites who gained weight in the administration, especially in 2006-2008. As can be seen in Graph 1, beginning in 2009, the Iraqi Dinar experienced devaluation against foreign currencies at rates as high as 1500 percent. After the Obama administration’s

**Graph 1.** Iraqi Dinar - Euro Exchange Rate Development



Source: [tradingeconomics.com/Central Bank of Iraq](http://tradingeconomics.com/Central Bank of Iraq)

decision to withdraw troops in 2011, the country came under the control of various armed groups. This political instability first affected the national economy. Many issues such as the status of the Iraqi Kurdistan Regional Government (KRG), the extraction of oil in that region and

the rapidly increasing state budget does not demonstrate enough impact on employment and economic growth and prosperity.

Looking at the GDP based on purchasing power parity, the Iraqi economy has been on the rise since 2003. As can be seen from Graph 2,

**Graph 2. Iraq GDP by Purchasing Power Parity**



Source: IMF: World Economic Outlook (WEO) Database, April, 2019

the sharing of its income have put pressure on the economy. Under the influence of Iran and pressure on the country's politics and economy, the poorly managed state budget has been the triggering factor of economic destruction. In particular, the demonstrators share the opinion that

the national product calculated according to the purchasing power parity of the Iraqi dinar has proved a successful graph. In particular, it is possible to attribute the national product, which has been in a downward trend since 2017, to the political instability in these periods. It would be ap-

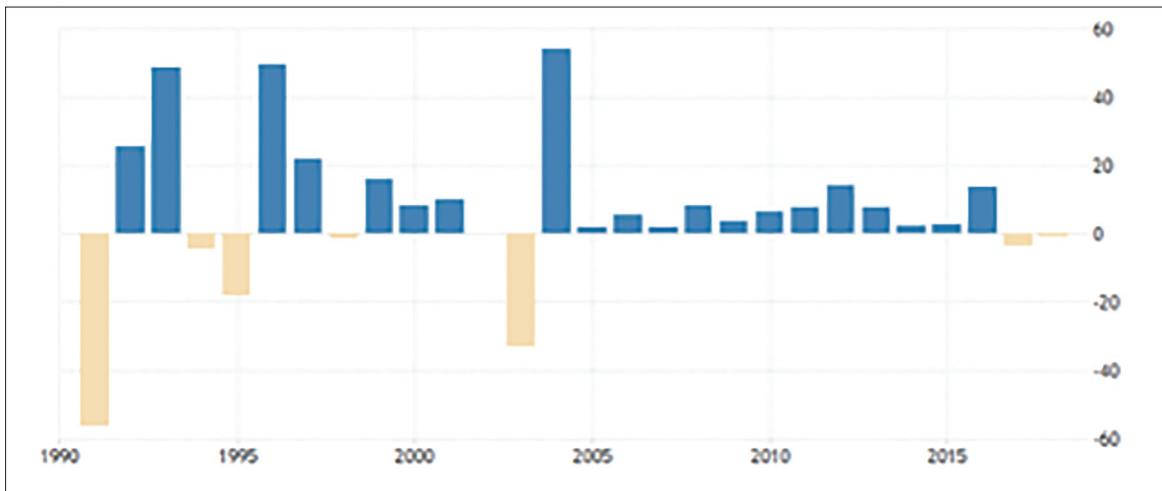
appropriate to hold that extraordinary events, such as the spread of ISIS terror throughout the country, have had an impact.

The annual growth rate of the Iraqi GDP has been negative since 2016. It can be said that the effects of political events, such as ISIS attacks,

rate indicators in Graph 3 also support the above argument.

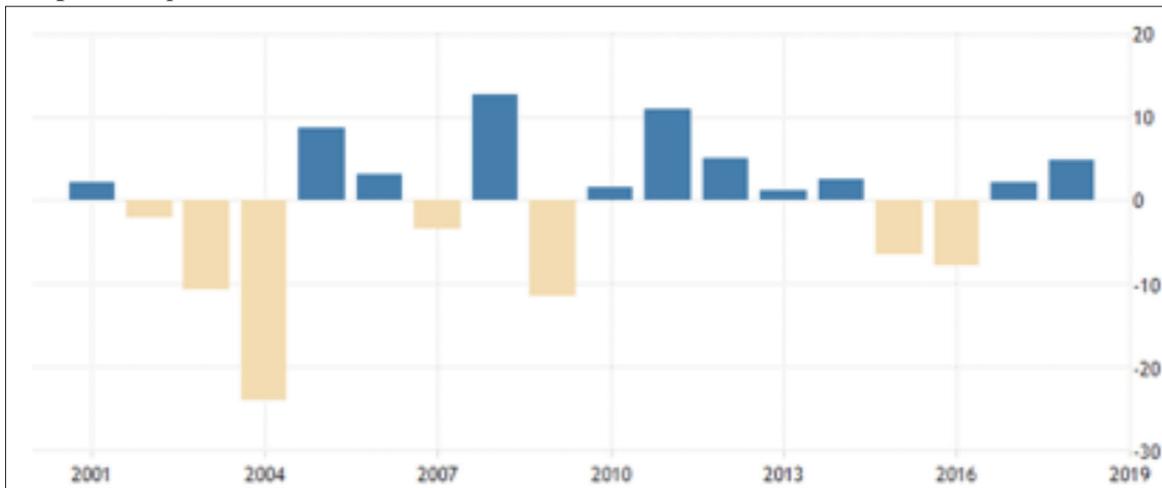
On the other hand, when the current account deficit and state budget GDP figures in Graphs 4 and 5 are analyzed, it can be observed that the same trend continues. Nevertheless, as of the be-

**Graph 3.** Iraq GDP - Annual Growth Rate



Source: [tradingeconomics.com/Central Bank of Iraq](http://tradingeconomics.com/Central Bank of Iraq)

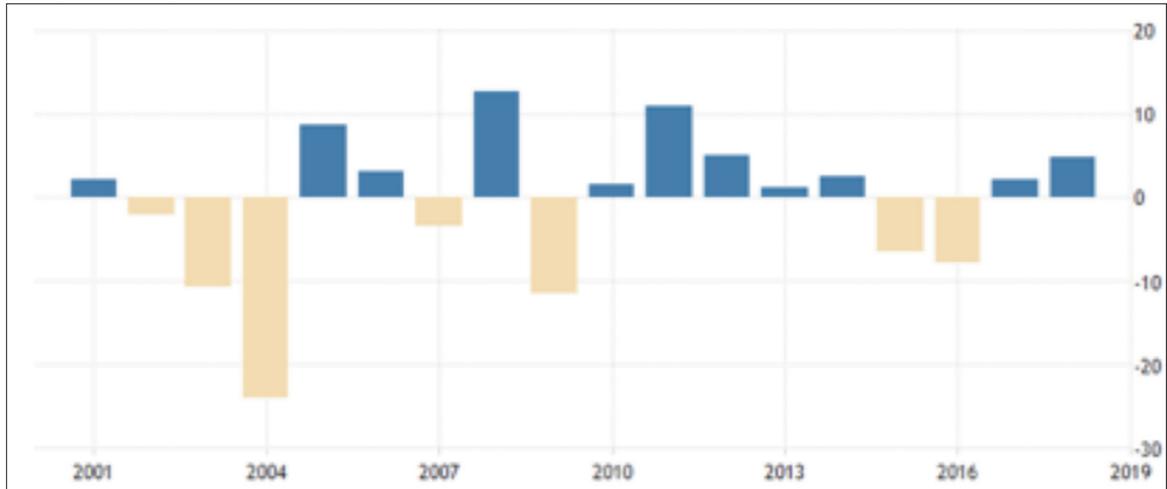
**Graph 4.** Iraq Current Account Deficit - GDP Ratio



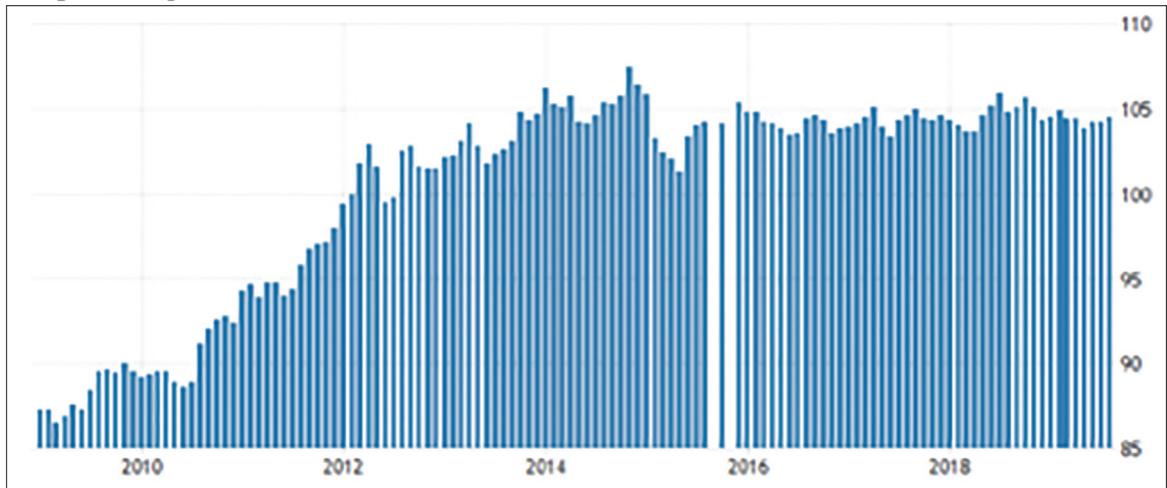
Source: [tradingeconomics.com/Central Bank of Iraq](http://tradingeconomics.com/Central Bank of Iraq)

on the economy during this period felt huge. When it comes to the present day, the economic situation deteriorates further and stands as an effective element in motivating people to take to the streets. It can be seen that the GDP growth

gining of 2019, the ISIS problem has largely disappeared and the fluctuations in oil prices and the budget balance have improved. However, these improvements are not reflected in public life and corruption, shown as one of the main

**Graph 5. Iraq State Budget - GDP Ratio**

Source: [tradingeconomics.com/Central Bank of Iraq](http://tradingeconomics.com/Central Bank of Iraq)

**Graph 6. Iraq - Consumer Price Index CPI**

Source: [tradingeconomics.com/Iraq Central Statistical Institute \(COSIT\)](http://tradingeconomics.com/Iraq Central Statistical Institute (COSIT))

motivations for the protests, drives the Iraqi administration into the corner.

The fact that Iraq is at the top of the corruption indices supports this claim. Indeed, according to the World Transparency Organization's state corruption figures, Iraq ranks 168th among the 180 countries. The rumor that the \$ 450 billion public funds in Iraq have been missing since 2003 is consistent with this data.

When the inflation data in Graph 6 is analyzed, it is clear that the living cost in Iraq has

increased gradually since 2011 and that the purchasing power of the people has been decreasing day by day. This loss of prosperity, which is evident even in the controversial data in Iraq, where public transparency is significantly low, helps explain the motivation of the country's citizens in recent events.

### Impact of Inadequate Administration

Successive elected governments have failed to expand the country's wealth from natural resources for a population of around 40 million

and to create a vibrant economy. These incomes, which cannot be turned into employment, have evaporated in an environment where corruption has increased to a high level and the welfare of the people has decreased day by day. Income dis-

“The influence of Iran, as well as that of the U.S. increased considerably over the governments that have been formed after 2003. The fact that the executives close to Iran are predominantly in charge and the Iranian influence is felt at every level of the state has led to an increase in corruption incidents.”

tribution has gradually deteriorated. Quite advantaged for production thanks to its young population, Iraq has not been able to make the best of this advantage; it has failed to provide employment to 800 thousand young people, who reach the working age each passing year.

Iraq has taken temporary steps to solve its economic problems after the decline in oil prices between 2014 and 2016, oil revenue constituting 90 percent of its budget. The war against ISIS has outpaced all these problems and caused the recession of the national economy. Under the guidance of the IMF, it has made important arrangements such as regulations on the salaries of public employees, taxation and the prevention of further employment to the public sector, where it uses almost 75 percent of its budget. However, in the reform packages announced after the protests, in a structure where a large part of the country is dependent on salary from the state budget, promising new employment areas to the state staff increases the worry and risks associated with the future of the national economy.

Taking office about a year ago, Prime Minister Adil Abdulmahdi has pledged to revise the economy in the face of ever-increasing protests that pose a major crisis for him and he prepared new reform packages. In order to demonstrate that they take into account the demands of the protesters for employment and better living conditions, the government has promised jobs and funding to, particularly disadvantaged groups



with this reform package. However, the protesters have rejected Abdulmahdi's promise on the ground that they are nothing but a bunch of lies.

Prime Minister Abdulmahdi, an economist with a degree from the Sorbonne University in Paris, started his career as a compromise leader in the last elections, where the response to corruption and economic problems was the most important motivation. Finding difficulty in convincing the Iraqis that he can reorganize the political and economic system, Mehdi says in his own statements that there is no magic solution to these long-lasting problems in Iraq.

### Administrative System and Iranian Impact

Behind the bad picture of macroeconomic factors such as the budget balance and inflation increase stand political instability and the management system based on instable and sectarian relations established at the beginning. Although it has largely withdrawn its military presence, the US, which has established such a system, has managed to index the wheels of the Iraqi system to Washington.

Indeed, the fact that the financial companies such as JP Morgan and US banks are quite effective in the management and decision-making process of the revenue of oil extracted in Iraq leads to the instability of the Iraqi budget.

The influence of Iran, as well as that of the U.S., has increased considerably over the governments that have been formed after 2003. The fact that the executives close to Iran are predominantly in charge and the Iranian influence is felt at every level of the state has led to an increase in corruption incidents. This is the underlying factor behind the public anger in the street protests. In the last analysis, it seems difficult to talk about economic and political stability in the short and medium terms in Iraq, the country,

which is completely open to foreign interventions, has lost its transparency and is under the influence of countries such as the U.S. and Iran.

The government must first prevent the parties who have caused indignation and provocation before the demonstrators. It would not be wrong to say that the ongoing external interventions, especially towards the country, have turned the problems into more inexorable (içinden çıkılmaz hale). If this persists for a long time, reform packages may not work, and Iraq may be dragged into deeper chaos.

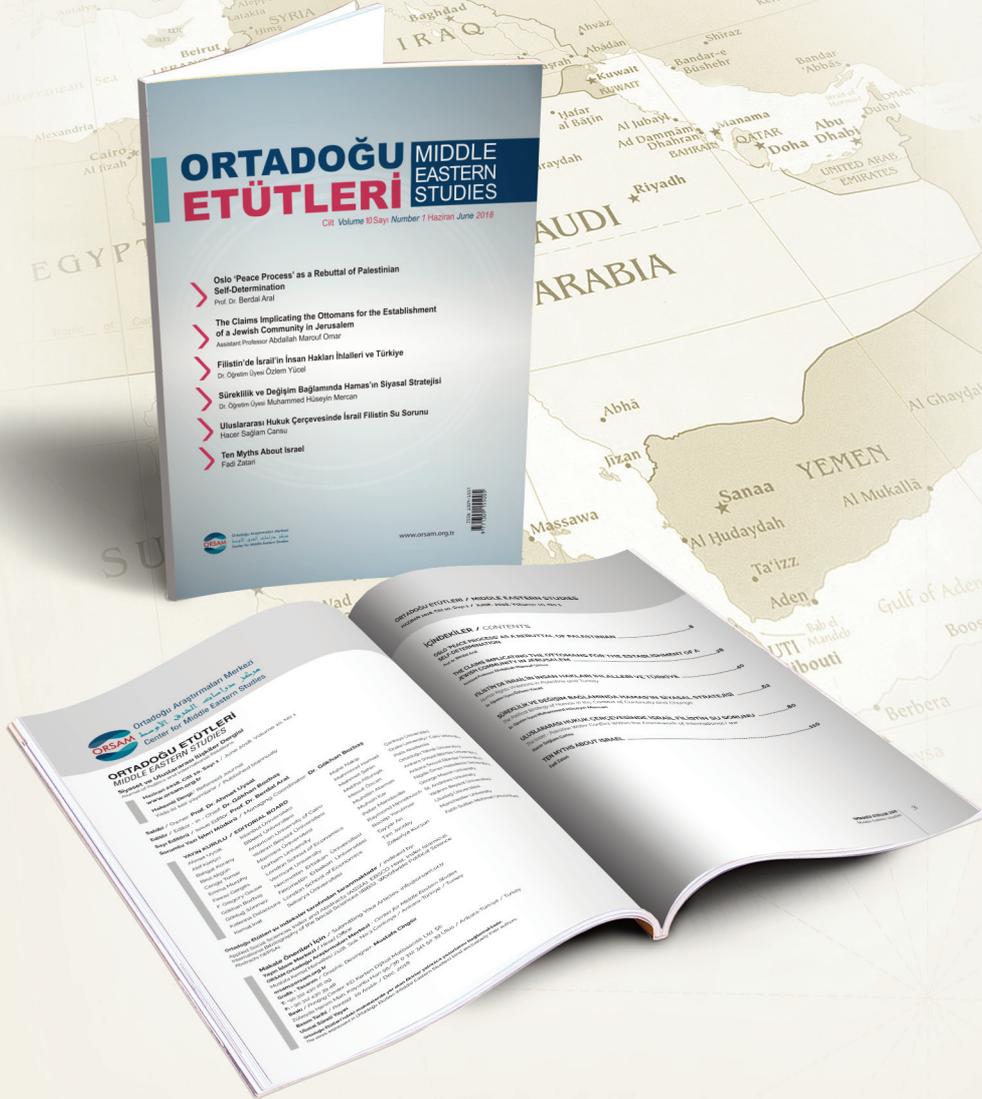
As a result, it can be said that the demonstrations will not stop without a real change in Iraq. Iraqi authorities and politicians should take responsibility. There are videos and images circulating on social media showing unidentified gunmen opening fire on demonstrators. The government must first prevent the parties who have caused indignation and provocation before the demonstrators. It would not be wrong to say that the ongoing external interventions, especially towards the country, have made the problems more inextricable. If this persists for a long time, reform packages may not work, and Iraq may be dragged into deeper chaos. Under these circumstances, it is doubtful how long the Abdulmahdi government will remain in office. The coming period may be the first time in Iraq after 2003 to see a prime minister not being able to complete his four-year term.





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