

Economic Manifesto for Iraq

[Bayan Iqtisadi lil-‘Iraq]

Dr Amer K. Hirmis

Prologue

The October 2019 Uprising of the youth of Iraq is a fresh reminder of the Iraqis love for life. Optimism and hope is on the horizon for a better future, to rebuild Iraq after sixty years of continued economic, political, social and environmental destruction, by successive regimes, in particular since 2003. Light is in Iraq’s horizon shifting the oppressive darkness engendered by plutocratic theocracy. The Uprising is evidently paving the road to freedom with martyrs, blood, suffering and inextinguishable desire for better life for all Iraqis.

Religion has effectively usurped the power of the Iraqi state. No president or prime minister of Iraq could make a strategic decision without first being sanctioned by the religious authority and/or prominent religious figures. In his speech on October 7, 2019, regarding the Uprising, the president of Iraq repeatedly offered his respect and appreciation to religious figures, for “guidance to the state...” The state craft is now *not* in the hands of the president or the prime minister. Every progressive thought or idea, for example, gender equality, positive law, mixed education, modernity (*al-hadatha*), secularism (*al-‘almāniya*), and functional democracy has been decried as un-religious, Western, and not suited to Iraq. This state of affairs in governing Iraq is reminiscent of early Mesopotamia, except for the likes of Sargon of Akkad who successfully separated state from religion, during his reign.

In their Uprising, the youth of Iraq, are clearly and loudly demanding an end to this state of affairs. Both the religious leaders and the political class are accused of systemic, rampant, corruption and unlawful enrichment at the cost of annihilating the workers, the poor, women, and the masses that live in abject poverty.

Three things must happen now in Iraq:

1. Functional (*not just electoral*) democracy is accepted by the overwhelming majority of Iraqis, and is the way forward to set up a truly democratic system of government, run by the people of Iraq (*al-Nass, al-A‘lma al-‘Iraqi*);
2. It is high time that the rising youth of Iraq ought to have a **strong** political leadership and government with a strong will and determination to make and effect fundamental change: to cast the dark cloud currently looming over Iraq, and bring light by facing up to tribalism and theocracy, create a strong, diversified, economy, preserve the social fabric that is being torn apart by many of the state institutions, bring back civility in social relations, respect and equality for women, re-energise civil society, restore good physical environment and, *inter alia*, make Iraq a truly **sovereign country** establishing peace and stability within and without the country; and
3. This leadership, based on a new truly *democratic political grouping* must work to establish **peace** and **development** in Iraq. It should establish **stability, security** and have a *clear positive manifesto* based on a vision for the sort of a modern and progressive Iraq they wish to see in 2050, starting immediately.

To this end, what must stop is the social refraction that is being deliberately effected for self-interest under the rubric of warped ideologies, false pretences in “exercising democracy” and religious codes. The emerging leadership must support its 2050 vision by reasonable, realistic, rational and evidence-based short, medium- and long-term objectives, and policies, to unify Iraq in economic, social, political and environmental sense.

The Economy

Whilst Iraq has witnessed brief intermittent periods of *economic growth* in GDP (gross domestic product) over the past 60 years, this growth was never inclusive. Iraq has never experienced *economic development*, which goes beyond economic growth - it is not difficult to observe that a very high proportion of new wealth is concentrated in the hands of the few political elites, prominent families, and their immediate social base, leaving the vast majority of Iraqis in despair for a more equitable distribution of income (including

from oil *rent*), desperate to survive, suffering from poor consumption pattern, spending most of their small disposable income on bare essentials, and consequently deprived from engaging in the political process. All along this has been a deliberate policy of the successive regimes in Iraq, selfishly carving up the oil rent for themselves not the masses. The productive sectors of the economy, like manufacturing and agriculture, have been left to shrink both in absolute and relative terms.

The non-oil economy of Iraq is now so small it can't and does not absorb graduates from universities or vocational training institutions. Except in the trade sector, the private sector finds it virtually impossible to invest in the face of bureaucratic procedures and pervasive corruption, imposing unbearable economic cost. It is almost impossible to find an institution in today's Iraq that observes good governance, abides by the rule of law, and is subject to proper regulation. It is not uncommon in Iraq that the operator is simultaneously the regulator, or the accused to be their own judges. And, last but not least, over the past ten years, the Central Bank of Iraq has been an active proponent of "quietly" bringing religion into all aspects of the economy. This is a political, not an economic, project!

Today, the Iraqi economy is in dire straits. Here is why:

1. The crude oil sector comprised 65 percent of GDP in the first quarter of 2019, up from 52 percent in 2014 (at constant 2007 prices, see: cosit.gov.iq various national income reports);
2. Agriculture sector contributed 1.3 percent to GDP in Q1, 2019 (down from 4.12 percent in 2014);
3. Manufacturing contributed 0.8 percent to GDP in Q1, 2019 (down from 1.2 percent in 2014);
4. Oil exports comprised 99 percent of total exports in 2018;
5. Excluding oil exports, Iraq suffers from chronic trade deficit. Importing goods and services has become an easy way to laundering money, only to be invested abroad. The wholesale and retail sector is nearly seven times larger than the manufacturing sector;
6. The parallel (black) economy in Iraq is rife, avoiding taxation and not included in GDP;
7. Women's participation in the labour market is a mere 13 percent, at a time when women comprise 50 percent of population in working age;
8. The rate of unemployment is around 16 percent (and 25 percent amongst the youth);
9. The obese 'General Government' "sector" is five times larger than the agriculture sector and seven times larger than manufacturing; and
10. 30 percent of Iraqis live in poverty.

All the above are characteristics of a backward, rentier, Iraqi economy.

A four-pronged economic development strategy

A 3-year economic development programme, drawn within the context of an overarching strategy, integrated with a 3-year national federal budget should be considered by the new leadership of the Uprising in Iraq – and the new prime minister. The programme and the budget should be approved by a new cabinet and a new parliament. An annual review of both should be presented to, and discussed by, parliament.

A *four-pronged* economic development strategy should replace the 2018-22 'National Development Plan.' The strategy should be implemented by the new cabinet. In the short-to medium-term, the following should be key elements for implementation:

1. The development of the **manufacturing sector**. This is an absolute necessity for diversifying the economy away from its dependence on oil, with increased emphasis on satisfying the domestic demand, as well as developing export-oriented industries, where Iraq could develop comparative advantage in contested markets over a short period of time. For example, the petrochemical industries, plastics, pharmaceuticals, cement, agri-processing, and so on;
2. The development of the **agricultural sector**, which requires a rigorous management of the water resources, labour force skills development and stronger links with manufacturing. Securing affordable, high quality food, to the Iraqi masses, produced efficiently is of paramount importance. Instead of having the majority of agricultural land divided into small holdings, as at present, the strategy would benefit from introducing '*agricultural corporations*' on a wide scale, reaping the benefits of economies of scale, and long term investment;

3. **Physical and social infrastructure development.** Building roads, bridges, airports, housing, schools, hospitals, etc. is a key area for creating well-paid jobs, reducing unemployment, alleviating poverty, and, as in other sectors, instilling professional work ethics, eradicating corruption and nepotism; and
4. **Development corridors** should be initiated beyond urban centres, to link up various provinces (*muhafathas*) with their rural hinterland. A parallel housing strategy should be in place, thus creating flexibility in the movement of labour and capital across the country, so alleviating the pressure on major urban centres, like Baghdad, Basra, Mosul and Erbil.

A detailed programme for the above four key elements should be produced in consultation with the private sector representative organisations, to involve the private sector from the outset in the development process. Government must play an *enabling role* to induce investment within a tightly regulated system, based on the rule of law, good governance and robust socio-economic feasibility study for every single major investment project.

A proportion of oil revenue should be allocated for the development process. This proportion should increase gradually, as the expansion of the productive sectors begins to absorb increasing numbers of employees, including those currently employed in government.

Strong links between education and economic development strategies must be established, in order to establish a balance between supply from the education sector and demand from economic sector for employment needs.

In the *short- to medium-term, over the first seven years*, the new government must work to achieve:

1. High employment levels;
2. Alleviating poverty through job creation;
3. Upgrading skills, and instil professional work ethics;
4. Decreasing public debt;
5. Tackling tax avoidance, and imposing heavy progressive / gradual income tax;
6. Confiscation of the property gained unlawfully (*min ayna lak hatha policy*);
7. Record number of women at work;
8. Investing in manufacturing and agriculture, incentivising the private sector to do so;
9. Investing in physical and social infrastructure;
10. Start a robust programme of investing in productivity, R&D and business entrepreneurship;
11. Reducing youth unemployment; and
12. Drawing together a modern 'Industrial Strategy' for the long-term.

It is crucial that Iraq has, first and foremost, a *modern* Industrial Strategy underpinning growth and development in the rest of the economy. It is also crucial that a fundamental change is made to the institutions of state/government so that they work in a coordinated and integrated way, especially in areas of fiscal, monetary and supply-side policies, to support the growth of the private sector in a tightly *regulated* way, based on the rule of law.

The above objectives for the economy of Iraq can't be realised without stintless efforts of tackling the *inextricably linked* aspects of life of the Iraqi people, to *support* the economic strategy - these include social fabric/culture, political system and the environment.

Social fabric

The leadership of the Uprising (as it stands now) must be supported to establish *peace* and *development* in Iraq through social reforms, appointment of civil servants, ministers etc. on merit, adopting professionalism in politics and in economics, and abandoning ethno-sectarian practices once and for all. They must reverse the cultural decline Iraq has been witnessing in various aspects of life, opening the doors for modern culture to thrive.

For over sixty years now, Iraq has been witnessing the murder of academics, journalists, artists, writers, and civil activists who stand up for the 'Truth' exposing the wrongs and odious thoughts and acts of successive totalitarian, despotic and theocratic regimes, of which the latest has been in power effectively since 2004. In spite of the fact that the 2005 Iraqi constitution guarantees, on paper, freedom of thought, assembly, writing and

publishing, acts of brutal elimination of the ‘other’ form too long a list to cite. Violence has become a technique to stamp “authority” and demonstrate “legitimacy.”

Culture in Iraq has suffered a great deal, especially since 2003; examples of cultural sufferance include constant attacks on civility which have become much worse and pronounced than in the 40 years or so previous to 2003. Prior to 2003, Iraq witnessed the shrinkage of the educated *middle class*, the main generator of effective demand in the economy. Post 2003, Iraq has seen a gradual decline in the size of *working class*, the cowering of the *peasants (fellaheen)* at the hands of the tribal leaders, and the rise of a “social strata” comprising people with strong *ethno-sectarian allegiances*, living on plutocrats’ handouts through money laundering, currency auctions or simply by serving religious parties, and their affiliates.

For this “social strata” corruption has become a substitute for education, professional work and for patriotism. A culture, and way of life, they would sadly defend at any cost, even brutally murdering the ‘other.’ For many (*not all*) within this uncultured and uneducated “social strata” human life has no value.

The educational establishments – e.g. the universities – are being trampled with by establishing religious centres of ‘*thought imposition*’ at all levels of education, exercising peer pressure, especially on women to wear hijab, an ever expanding phenomenon in Iraq; school girls as young as seven are being hijabed – a clear symbol of indoctrinating and subjugating girls (and boys) from an early age. Thousands of Iraqi intellectuals have left the country for fear of their life; this brain drain comprises a massive loss of human capital. The oppression of ethnic/religious minorities in Iraq is tantamount to ‘cleansing’? Masses of Kurds, Christians and Yezidis, for example, have left Iraq, over the past 60 years. And, despite their enormous contribution to the economy and culture, Iraqi Jews have, regrettably, become part of Iraq’s history, not the present. And, what was left of the professional *work ethics* in certain institutions is rapidly diminishing; jobs are offered on sectarian, ethnic or political affiliation, leaving the institutions to wither.

Education by rote is replacing scientific education methods. *Al-hafith yuhazim al-fahim* (the recitist defeats the learned) is regrettably an accepted currency in religious circles. For the sake of future generations to be able to live in an increasingly competitive, digital, world, this must stop.

The distortion of culture in Iraq has taken many forms. For example, music, singing, and, *inter alia*, alcohol drinking have been banned. Public spaces, restaurants and what remains of social clubs have to take note of the so-called *religious prohibitions* imposed by the clergy in the name of religion. Disguised or not, thought police is out in the streets and in universities. Human decency and the love of life in Iraq have been forced to take a back seat, only to give way to some imaginary seventh century social code of practice. Truth and reason are being replaced by blind faith and metaphysics.

Disturbing reports have recently emerged from international news agencies pointing to nefarious practices of commoditising women and minors as young as 12 years old, in the name of pleasure, usufruct, marriage (*zawaj/nikah al-mut’a/mizyar*). Iraqis look askance at such bent “culture” that has become accepted in some quarters. Alien to Iraqi culture, and to humanity, such practices must stop.

Political system

A strong, diversified, economy that supports all Iraqis needs a strong, stable and favourable *polity* that would engender economic development and lead to functional democracy. The Uprising’s leadership must reform the broken ethno-sectarian political system, so as to form a solid basis for achieving the outline economic strategy set out above.

The Uprising must put an end to the ‘political vandalism’ of the last 60 years, which has replaced professional politics and politicians. The Iraqi state was dismantled post-2003, and effectively handed to religious parties, in the main. Thus, state building remains a major challenge in Iraq. Corruption, bad governance, circumventing the rule of law, and

disrespect of the constitution, is almost complete. The separation of powers too - the judiciary, executive and the legislature - is nearly absent. There is every indication at present that the power of religion has surpassed that of the state, creating a deep, subversive, state, serving self-interest, indeed regional powers, not the Iraqi people. Religion at present has a strong grip on power and the state in Iraq. There over 250 registered political parties, the largest have religious orientation, fracturing the state and government. This is an extreme version of the state of affairs since the establishment of modern Iraq in 1921.

This state of affairs provides good reasons for the youth Uprising.

The Uprising demands that 'political vandalism' must end. A secular state must be established in Iraq (by *al-'alma* -the Iraqis) for future generations to have a chance to build a *modern, stable, secure, and peaceful* Iraq for themselves and their offspring(s).

As at the beginning of November 2019, the Uprising is rejecting the existing political system engendered by religion (and Gudea-type turban wearers). This system appears to have run its course. One brave protestor lamented loudly "We don't want (political) parties, we want a country to live in" as if Iraq has been destroyed. This lamentation is reminiscent of the lamentation over the city of Ur (ca. 2000 BC), which describes the weeping for the city and pleading that it should not be destroyed by the gods.

Iraq's "electoral-democracy" is not a functional democracy, based on intelligent tightly scrutinised electoral system, of political parties competing on the basis of credible programme of political, socio-economic and environmental reforms. It is not beyond the realm of possibilities that the isolated political elites are rigging the electoral system to stay in power. Voter turnout has decreased from 80 percent in 2005 to 44 percent in 2018. Protests have become frequent. Men of the cloth, and their affiliates in government have established their own militias within the network of the so-called Popular Mobilization Forces (*al-hashd al-sha'bi*), which is reported to have fired live rounds at the protestors, and is openly threatening the state.

The Uprising is rightly demanding a new/amended constitution, a new electoral law/system and the amendment of key laws ensuring, for example, the impartiality of the judiciary, the army, the police force, etc. These demands should be strongly supported by all the democratic forces/parties in Iraq.

Support for the Uprising must be made within legitimate and peaceful means, in compliance with international treaties and laws. The current toxic objective conditions created by the occupation of Iraq in 2003 and the establishment of a religious state (but in name) must be changed so that conducive conditions for peace and development are created. Economic development and social change that follows must pave the way for the establishment of functional democracy in Iraq, in the long-run.

The task at hand is enormous; the Uprising could, however, usher the beginning of the end of the failed plutocratic ethno-sectarian state/government system in Iraq.

Physical environment

There is every indication at present that the physical environment of Iraq up and down the country is severely degraded. The causes of the degradation include climate change, wars, and economic sanctions, mismanagement of infrastructure and industry, corruption and, *inter alia*, flaunting the rule of law. The influence of tribal relations and religious codes on decision-making has been detrimental to physical and social infrastructure (education and health services in particular).

Poor water quality, dumping of industrial waste and sewage into rivers, soil salinity, air pollution, and conflict pollution (caused by wars and ISIS) has led to the deterioration of key ecosystems, climate change impacts and threat of water shortages. Prolonged drought has taken a toll on rain-fed crops in the north of Iraq. This situation is compounded by adverse policies of basin countries (Iran, Iraq, Syria and Turkey). This needs to change. The

marshes in the south could be turned into major tourists' attractions, benefiting local population, and the country at large.

In the South, the felling of hundreds of thousands of palm trees, and destruction of orchards for personal gains, is lessening the absorption of CO₂. The fires from oil wells burn, releasing huge amounts of toxic residue into the air that people inhale. Gas flares in millions of cubic meters, a massive waste to the Iraqi people.

Hundreds of shanty towns have spread across Iraq, where at least two million people live. The inter-generational health consequences of this and other forms of environmental degradation are plaguing Iraq; their effects will last for a long time.

Environmental disasters like (the few of) those listed above are normally at the top of political and economic priorities of governments, but not apparently in Iraq. The plutocratic/theocratic political class in Iraq is, allegedly, too busy distributing oil wealth amongst themselves.

The emerging leadership of the Uprising in Iraq ought to change this dire situation.

Epilogue

The October Uprising deserves every support from all those who want to see functional democracy prevail in Iraq. All the democratic and progressive forces in Iraq should come together to make this happen.

As expected, the plutocratic theocracy in Iraq has failed to meet the demands of the Iraqis – they have failed to reconstruct the economy, the physical and social infrastructure. They failed to provide basic services in a country that is so rich in natural and human resources.

The deliberate mismanagement of politics and the economy and attempts to destroy the social fabric of the country under an ethno-sectarian system of government has brought despair in Iraq. People have not, however, lost hope in their inextinguishable desire for better life.

The plutocratic ethno-sectarian system in Iraq has reached the end of the road.

The future is for the Uprising.

Iraq needs a strong government to steer the country away from rampant corruption that has drained the country of needed resources. Economic development requires political stability and there would be no stability in Iraq as long as tribalism and religion is dictating what could and could not be done, and as long as the rule of law continues to be flouted.

Iraq needs to begin to build a prosperous future, based on initiating *economic development* and establishing a polity based on *functional democracy*.

Dr Amer K. Hirmis
November 7, 2019

Dr Amer K. Hirmis is *Principal* at UK-based consultancy CBS Ltd. (2008-present). In October 2009, Amer began a 20-months assignment as *Senior Development Planning Advisor* to the Ministry of Planning in Iraq (funded under the DANIDA programme for 'peace and reconstruction' in Iraq). The posts Amer has assumed include *Chief Economist and Head of Policy* at the London Chamber of Commerce and Industry (1992-5), *Economic Advisor* to UK South West Regional Development Agency (1996-8) and *Associate Director and then Head of Consulting and Research* (Middle East) at the global firm DTZ (1998 to 2007).

Dr Amer K Hirmis is the author of '**The Economics of Iraq – ancient past to distant future**' [<https://www.amazon.com/Economics-Iraq-Ancient-distant-future/dp/1999824105>]