

New Iraq government faces economy in freefall amid COVID-19 pandemic

By Jean Shaoul
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Former head of intelligence Mustafa al-Kadhimi has taken office as Iraq's new prime minister.

He comes to power six months after mass protests against appalling social conditions, government corruption and the entire political setup forced the resignation of Prime Minister Adil Abdul Mahdi. This was the first time since the 2003 US-led war that a government had been forced to resign due to popular pressure.

Al-Khadimi is Iraq's third prime minister-designate assigned by President Barham Salih since Mahdi's resignation. His two predecessors, Muhammad Tawfiq Allawi and Adnan al-Surf, both failed to win parliamentary support for their cabinets. Mahdi quit his post as caretaker prime minister at the beginning of March, the day after Allawi admitted defeat, leaving Iraq without a functioning interim government.

Al-Khadimi, who spent 25 years in exile in the UK and US, is on good terms with Saudi Crown Prince Mohammed bin Salman and is viewed as a US spy. He appeared initially to have the support of some of the Shia parties after Iran, which in practice controls parliament and can therefore neuter him, gave the nod.

However, Kataeb Hezbollah, one of militias within the Popular Mobilization Units (PMU) close to Iran and part of Iraq's armed forces, accused him of complicity in the January 3 assassination of Iran's General Qassem Suleimani and Abu Mahdi al-Muhandis, a prominent member of the Iraqi government and PMU leader, aimed at undermining Iran's political influence in Iraq. Their killings have spawned major disagreements among the various Shia factions, with four PMU units loyal to Ayatollah Ali al-Sistani breaking from the PMU, which Washington is seeking to exploit.

Al-Khadimi has still to fill several posts in his cabinet after parliament refused to endorse some of his nominees, including the key oil and foreign affairs ministries. But

his line is clear: he said he will uphold the political sectarian system known as *muhasasa* and work with Washington in the "strategic dialogue" over relations between the two countries scheduled for June.

In January, after the US assassination of Suleimani and al-Muhandis, parliament called for the immediate withdrawal of all US troops in the country. However, US-led forces have every intention of remaining in Iraq despite the overwhelming hostility they face. President Donald Trump threatened Iraq with sanctions if it ordered American troops out of the country. In March, Washington set up at least four new batteries of Patriot air defence systems in Iraq as a preparatory move to strike against Iran, consolidating its position in its most important bases as it withdrew its smaller bases.

Iraq has for decades been caught in the crosshairs of US imperialism's militaristic confrontation with Iran, which is bound up with Washington's build up 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.

Al-Khadimi is under huge popular pressure to bring the killers of peaceful protesters to justice. Around 700 protesters were killed, and thousands injured during the mass protests that started in October, with government taking no action to identify those in the security forces responsible. He has also to try and get agreement on holding new elections based on new legislation that would overturn Iraq's sectarian political system as demanded by the protest movement.

The COVID-19 pandemic has plunged Iraq deeper into a maelstrom. The country is in no position to treat millions of potential victims. With its healthcare system, once the best in the Arab world, gutted by the 1991 Gulf War, a decade of US sanctions, the 2003 US-led war and occupation of Iraq and the wretched political sectarian system Washington imposed, what remained of Iraq's

medical staff left the country in their thousands or were fired by US officials. With only 0.8 doctors and 1.4 beds per thousand people, hospitals became a place to die as healthcare budgets were turned into a mechanism for doling out patronage.

Just two weeks after Iraq confirmed its first case of COVID-19, the government ordered a complete lockdown that has deprived millions of day workers of their means of subsistence and temporarily closed down the protest camps in Baghdad's Tahrir Square and other cities.

Iraq has around 2,500 confirmed cases and over 100 deaths. But these figures are widely believed to be a cover up of the real scale of the crisis, with the Iraqi government even issuing a fine and temporary ban on a Reuters journalist who reported the sceptical views of Iraqi doctors about the official number of COVID-19 victims.

The collapse in oil prices due to the coronavirus-led recession—60 percent on February prices—and the OPEC-agreed production cuts of 1.1 million barrels per day is a disaster. The government was depending for 90 percent of its revenues for the 2020 budget on oil based on a price of \$56 a barrel, double the current figure. Along with the lockdown to stem the spread of the pandemic, the economy has plunged into the abyss.

The resulting deficit could require \$40 billion of external financing—provided the government implements the usual free market “reforms,” privatisations and above all the slashing of public sector wages and benefits.

The closing of Iraq's borders and curbs on internal travel have also stopped the flow of religious tourists to the holy Shi'ite cities of Najaf, Karbala and Samarra, leading to the loss of 4,000 jobs in the hospitality sector in Najaf alone.

Some 60 percent of regular fulltime jobs are in the public sector and allocated on the basis of Iraq's sectarian political system. Just 10 percent of private sector jobs provide regular employment, while the remaining 90 percent are casual day work that require two such “jobs” to put food on the table.

Iraq's population is young—more than 60 percent of the population are under 24—and most young people are without regular work as jobs depend on family connections and the ability to bribe officials. Seventeen years after the US war to topple Saddam Hussein, Iraqis are worse off than they have ever been.

The government has been forced to announce a paltry one-off grant of \$25 to those who have lost their income

as a result of the lockdown. It eased the lockdown restrictions for the holy month of Ramadan, even though the rate of new infections has grown and the risks of asymptomatic cases and untested infected persons spreading the disease remain.

Last week, the federal government in Baghdad stopped all payments to the Kurdistan Regional Government (KRG) in Erbil, which depends on central government for about 42 percent of its income. The KRG is already in arrears in paying its public sector workers, prompting a walk out by doctors and health care workers. Compounding the KRG's problems is the sanctioning of Rosneft Trading (RTSA), one of its main oil shippers, by the US Treasury due to its dealings with Venezuela.

While the protests may have subsided, the economic repercussions of the pandemic threaten to ignite a far broader political upheaval.

There has also been an increase in the number of attacks by Islamic State in Iraq and Syria (ISIS) in Diyala province, which borders Iran, and in the KRG. Pro-Washington sources have tried to imply that Iran is helping ISIS, saying that weaponry of Iranian origin—most likely left behind by PMU units fleeing the area—had been found. On Wednesday, three rockets hit Baghdad near the airport, assumed to be targeted at the counter-terrorism service's headquarters where US troops are based.

American commanders openly acknowledge that they now see the Shia militias that defeated ISIS with assistance from Iran as their principal enemy. Just as Washington is backing al-Qaeda-linked militias in Syria, it may well begin lending support to ISIS in Iraq in order to better divide and rule the country, while preparing for a direct military confrontation with Iran.

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