



Iraq and U.S. Policy

New Government Takes Office, As Iraq's Challenges Deepen and Multiply

In May 2020, the Iraqi Council of Representatives (COR), confirmed Iraqi National Intelligence Service director Mustafa al Kadhimi as Prime Minister and approved 15 of his 22 cabinet nominees, bringing months of political deadlock over government leadership to a close. Upon taking office, Al Kadhimi declared that his government would serve in a transitional capacity and would work to improve security and fight corruption while preparing for early elections. Iraqi authorities have instituted curfews and travel restrictions in response to the COVID-19 pandemic, which poses serious public health, economic, and fiscal risks to the country.

Prime Minister Al Kadhimi has identified several priorities including:

- mobilizing resources to fight the COVID-19 pandemic;
- “restricting weapons to state and military institutions”;
- submitting a draft budget law “to address the economic crisis”; and
- “protecting the sovereignty and security of Iraq, continuing to fight terrorism, and providing a national vision on the future of foreign forces in Iraq.”

Early elections under a revamped system could introduce new political leadership, but fiscal pressures, political rivalries, and limited institutional capacity may present serious hurdles to reform. Observers expect the new Iraqi administration to focus immediately on COVID-19 risks and related economic and fiscal fallout as it prepares for a planned strategic dialogue with the United States.

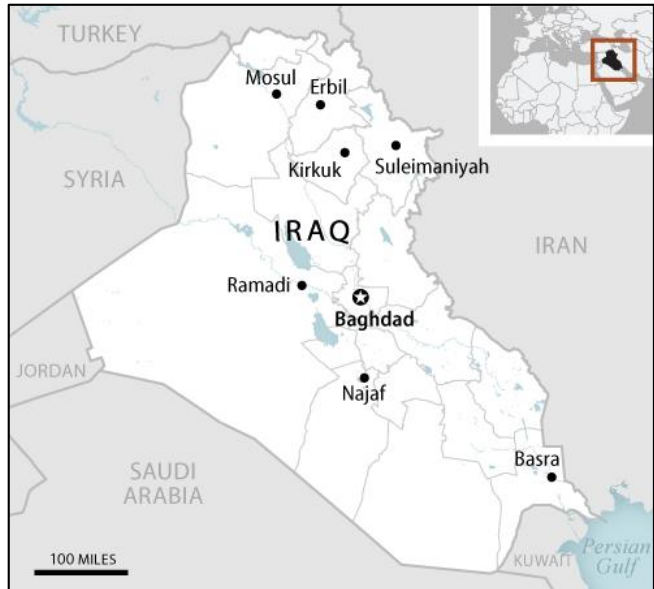
Demands of Protest Movement Unmet

Al Kadhimi's predecessor, Adel Abd Al Mahdi, resigned in November 2019, after just over a year in office. Abd Al Mahdi served in a caretaker role while political blocs grappled over identifying his replacement. His resignation came as deadly attacks by some security forces and militias killed hundreds of protestors and wounded thousands across central and southern Iraq. A spirited protest movement, of unprecedented scope in Iraq's post-2003 history, had erupted in October 2019 and mobilized hundreds of thousands seeking systemic change. While protestors have dispersed due to reported public fatigue and COVID-19 mitigation measures, their demands for reform and an end to corruption and foreign interference remain unsatisfied.

As protests intensified in late 2019, the COR adopted a new election law that would replace Iraq's list-based system with an individual candidate- and district-based system. As of May, the law has yet to be finalized and published, with plans for district and seat allocation pending. Authorities are likely to avoid electoral arrangements that could require

a controversial census amid intermittent unrest, security disruptions, and unprecedented public health threats.

Figure 1. Iraq



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

Prime Minister Al Kadhimi may implement some changes in response to protestors' demands, but militias, Islamic State insurgents, security sector reform, reconstruction needs, demographic pressures, and oil dependence are likely to challenge his administration and his successors.

Iran-U.S. Tensions Grip Iraq

U.S.-Iran confrontation also has continued to amplify underlying disputes among Iraqis over government leadership and Iraq's international orientation and security partnerships. Following escalating Iran-linked threats to U.S. and Iraqi personnel in 2018 and 2019, a January 2020 U.S. air strike in Iraq killed Iranian Islamic Revolutionary Guard Corps-Qods Force Commander General Qasem Soleimani and Iraqi Popular Mobilization Forces (PMF) leader Abu Mahdi al Muhandis. In response, the COR voted to direct then-acting prime minister Abd Al Mahdi to remove foreign forces from Iraq, but he deferred pending the formation of a new government. Iran launched missiles at Iraqi bases hosting U.S. forces in retaliation for the U.S. strike, injuring U.S. personnel.

The U.S. operation eliminated key figures in Iran's efforts to shape Iraqi security and politics, but also led to the temporary suspension of security cooperation and training. Iraqi militias since have conducted more rocket attacks, killing and injuring U.S., U.K., and Iraqi personnel. U.S. forces have retaliated, and further escalation is possible. U.S. officials remain concerned about threats posed by Iran-backed militias in Iraq, including some PMF units.

Pandemic Hits the Budget and Economy

With neighboring Iran hard-hit by COVID-19 and links between the two countries diverse and deep, Iraq faced immediate, multifaceted challenges in containing the initial spread of the coronavirus. In March, Iraq's government moved to institute travel restrictions and strict internal curfews while mobilizing health resources to meet expected needs. Officials in the federally recognized Kurdistan region of northern Iraq also instituted local containment and curfew measures. Iraq's public and private health systems have significant shortcomings and limited capacity. According to the World Bank, Iraq has approximately 0.8 physicians and 1.3 hospital beds per 1,000 people (below the global averages of 1.5 and 2.7, respectively). As of May 14, the spread of the virus in Iraq has remained relatively limited with 3,100 cases reported, but data limitations may be masking the full incidence of the disease.

Negative economic effects are more apparent, as COVID-19 mitigation measures have deepened an economic contraction that had already begun in urban areas paralyzed by protests in late 2019 and early 2020. In parallel, a precipitous drop in global oil prices threatens state finances. Iraq remains dependent on oil exports for more than 90% of its budget revenue, much of which pays salaries and benefits to state employees and retirees. The draft 2020 budget assumed an oil export price of \$56 per barrel, but Iraq has since been forced both to accept lower prices and reduce production volumes in accordance with decisions reached by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC countries (OPEC+), including Russia. International financial institutions expect that Iraq will need to draw on official reserves, cut salaries, limit benefits, and/or borrow to meet its needs. Already-low levels of state investment will likely decline, including in sectors where past failures have fueled protests.

Views from the Kurdistan Region

Leaders of Iraq's federal Kurdistan Regional Government (KRG) recognized Arab protestors' concerns and criticized repressive violence during the 2019-2020 protests, while convening to unify positions on proposed reforms that some Kurds fear could undermine the Kurdistan region's rights under Iraq's constitution. 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 election. KDP leader Masrour Barzani serves as KRG Prime Minister. His cousin Nechirvan Barzani is KRG President. KRG leaders are consulting with Baghdad on several oil export, budget, and security issues. The national government suspended budget payments to the KRG in April 2020, citing the fiscal effects of lower oil prices and overdue KRG oil transfers.

Islamic State Threats and Security Issues

U.S. officials report that Islamic State fighters continue to wage "a low-level insurgency" across some areas of Iraq, but credit Iraqi security forces with conducting increasingly independent counterterrorism and counterinsurgency operations. Press reports and IS claims suggest that attack volumes have increased relative to early 2019, with most attacks and security force operations occurring in Kirkuk, Diyala, Salah al-Din, Ninewa, and Anbar governorates.

U.S. officials note the ability of Islamic State insurgents to exploit weak security and governance in territory disputed between the Kurdistan region and the rest of Iraq.

Partnership with the United States

Since 2017, the Trump Administration has sought to promote Iraqi unity and stability, prevent an IS resurgence, and limit Iranian influence in Iraq. Iraqi protestors' calls for improved governance, reliable local services, more trustworthy and capable security forces, and greater economic opportunity broadly correspond to stated U.S. goals. During the unrest from October 2019 to March 2020, U.S. officials advocated for Iraqi protestors' rights to demonstrate and express themselves freely, while urging Iraqi leaders to respond seriously to protestors' demands and to avoid attacks against unarmed demonstrators.

Iraqi and U.S. leaders plan to engage in a high-level strategic dialogue in the coming months to renew a shared understanding about bilateral security cooperation and U.S. assistance. Observers expect Iraq's relationship with Iran to feature in the U.S.-Iraq talks. In late April, the Trump Administration notified Congress it would waive the imposition of Iran-related sanctions on specific Iraqi energy sector purchases from Iran for an additional 120 days.

U.S. military officials judge that Iraq's security forces appear to be approaching a level of capability that could allow U.S. and other coalition forces to transition from providing tactical support to focusing on leadership and institutional development. This could allow for further reductions of the U.S. and coalition military presence.

As of May 2020, U.S. military personnel had consolidated their basing in Iraq and deployed new missile defenses in consultation with the Iraqi government. They remain in Iraq pursuant to a 2014 exchange of diplomatic notes under the 2008 bilateral Strategic Framework Agreement. Congress has authorized U.S. train and equip programs for Iraq through December 2020, including aid to KRG forces, and has appropriated defense funding for the train and equip programs through September 2021. Since 2014, Congress has appropriated more than \$6.5 billion for train and equip programs for Iraqis. The Administration seeks an additional \$645 million for these programs for FY2021.

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. More than \$365 million in U.S. stabilization aid has flowed to liberated areas of Iraq since 2016, including funds to aid religious and ethnic minority communities. Congress allocated \$451.6 million for U.S. foreign aid programs in Iraq in FY2020. The Trump Administration has requested an additional \$124.5 million for FY2021. The United States is the top humanitarian funding donor for Iraq and has provided more than \$2.7 billion in humanitarian aid for Iraq programs since 2014. Nearly 1.4 million Iraqis remain internally displaced and many more remain in need of aid.

Congress may seek to clarify the Trump Administration's goals for strategic dialogue with Iraq and offer its own perspectives during consideration of FY2021 aid requests and the FY2021 National Defense Authorization Act.

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