

# TRANSITION 2021

POLICY NOTES FOR THE BIDEN ADMINISTRATION

## Promoting Sovereignty and Accountability in Iraq

Guidelines for the Biden Administration

BILAL WAHAB  
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When the Biden administration assesses the landscape in Iraq, it undoubtedly sees a complex set of problems, ranging from deep corruption to attempts by Iran-sponsored militias to seize military and political power. The difficulty of dealing with these challenges might prompt some U.S. policymakers to balk at devising solutions. But, in fact, a constructive Iraq policy can help advance both Iraqi and American interests in numerous ways. A better-functioning Iraq, with U.S. support, would be a more stable, secure, and fully sovereign country that can defend itself against the Islamic State and other militias, while freeing itself from Iranian influence. Reforms aimed at reducing Iraq's rampant corruption must also be central to any program to stabilize the country, and the United States can help promote such reforms through an incentive structure based on accountability and better integration of Iraq into the global economy.



Image: Reuters



In a successful right-sized U.S. policy, Iraq would no longer be the central front in the struggle against terrorism and Iranian ambitions, but it would also be something more than an irrelevant distraction. A failure to reorient U.S. policy wisely, on the other hand, will cause Iraq to remain a geopolitical Chernobyl radiating instability across the region.

For the United States, Iraq still matters, for both security and economic reasons. It matters because a failure to deal effectively with Iraq will perpetuate the Islamic State threat and Iran's ability to exploit the country to pursue its regional ambitions and launch attacks on U.S. allies. A stable Iraq, by contrast, could improve regional security, increase the flow of petroleum—a necessity even amid the urgent global shift toward renewable energy sources—and create economic opportunity for the country's 40 million citizens as well as neighboring states. Iraq may well prove to be a decisive theater not only for local struggles in the Middle East, but also for the regional competition among Great Powers.

## An Endangered yet Resilient Relationship

Whereas in years past Washington supported Baghdad with billions of dollars in institution-building funds while micromanaging developments at the senior level, today the relationship is held together by an ever-thinning military thread. When in 2018 the campaign to recover northern Iraq from the Islamic State ended, the U.S. military presence—largely a train-and-advise mission consisting of 2,500 troops spread across three Iraqi bases—once again became a target for Iran-affiliated Iraqi militias. Tensions culminated with the January 2020 U.S. targeted killing of Qasem Soleimani, who commanded the Qods Force of Iran's Islamic Revolutionary Guard Corps, and Abu Mahdi al-Muhandis, the leader of Iran's Iraqi proxy Kataib Hezbollah. Despite the immediate

deterrence provided by this strike, Iranian-led proxy attacks on Iraqi soil have continued into 2021, signaling that Iran and its proxies are intent on severing U.S.-Iraq ties.

Baghdad often has not helped its own cause. To Washington's dismay, the all-in approach of former prime minister Nouri al-Maliki (r. 2006–14) toward relations with Tehran and the pro-Shia sectarian makeover of Iraq's security forces alienated both Iraqi Kurds and Sunnis, and left the country vulnerable to the Islamic State's spectacular capture of one third of the country in 2014. U.S.-led coalition fighters and the Iraqi military were wrapping up some three hard years of fighting to retake the territory when Iraq's Kurdish leaders attempted an ill-considered vote for secession. The 2018 elections, which saw the lowest turnout of any Iraqi contest to date, brought the political rise of militias, then the disaster of Adil Abdulmahdi's year-plus of governance, with its acquiescence to the militias and Iran, along with the deaths of hundreds of protestors.

When Mustafa al-Kadhimi became prime minister in May 2020, a hitherto quiet Iraqi majority—desiring a strong state that delivers security, services, and jobs—saw its will realized. Disillusioned with Iraq's brand of identity and patronage politics, and skeptical that the existing system could ever support less-connected citizens, these voters had stayed home for the 2018 vote but registered their views in what turned out to be bloody mass protests beginning in October 2019. By taking to the streets, Iraqis sought to secure concrete changes from a venal political class that had trafficked in sectarianism and reliably lined its pockets. The militias acted violently to suppress Iraq's protestors, including through targeted assassinations, the shutdown of the Internet, and intimidation of the media.

Relatedly, around spring 2020, U.S. officials began articulating a desire for a stronger state-to-state relationship based on mutual respect and interests. This approach was particularly well suited to the times and public temper in Iraq. In a series of

U.S.-Iraq strategic dialogues, conducted in June 2020, August 2020, and April 2021, participants—which in the latter two cases included former secretary of state Mike Pompeo and current secretary Antony Blinken, along with their Iraqi counterpart, Foreign Secretary Fuad Hussein—drew almost nostalgically on the 2008 Strategic Framework Agreement as the basis for deeper, more multifaceted relations extending well beyond the recent predominant focus on counterterrorism, military ties, and attempts to counter Iran. The U.S.-Iraq relationship has certainly shown resilience over the years, but it has never experienced what could be considered a “normal” period. A recalibration is long overdue and urgently needed if the United States is to achieve fundamental national security goals in the wider region. A thin, fragile, and poorly defined relationship, meanwhile, risks the possibility of sudden diplomatic death. Such a rupture is plausible, as foreshadowed in September 2020 when Pompeo threatened to close the U.S. embassy in Baghdad if the Iraqi government failed to stop the militia attacks.

Despite hesitations in Washington and Baghdad, both sides will benefit from an Iraq that can stand on its own two feet. One area of opportunity lies in Iraq’s competitive politics at home, where elections, not just violence, can bring about change. Abroad, moreover, the region’s Arab states appear to have signaled renewed interest in Iraq. The Islamic Republic, of course, remains to be countered.

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## Recognizing New Challenges and Trend Lines

The Iraqi terrain has shifted in many ways since Joe Biden served as vice president from 2009 to 2017. His national security team will therefore need to consider the following new priorities.

### Addressing the Rise of Militias

In the past few years, Iraq’s political scene has come to favor more assertive, aggressive, and expansive Shia militias at the expense of traditional political parties.<sup>1</sup> Tehran has supported this shift, elevating its aspirations in Iraq from influence to outright control of the government. Following their victories in the 2018 elections, militia leaders Muqtada al-Sadr and Hadi al-Ameri today head the country’s two major parliamentary blocs. Ever mercurial, Sadr possesses more ambition than fire, pragmatically pursuing power based on a brand of Iraqi nationalism and his legacy of fighting the Americans. Ameri, on the other hand, has doubled down on his Iranian connections—having sided with Iran during the Iran-Iraq War and pledged allegiance in Persian to Ayatollah Khomeini in a video—as well as his anti-American credentials. He is now shepherding the political rise of Iraq’s militias.

The militias have capitalized on louder propaganda outlets and Iran’s organizing and deconflicting efforts to translate their military role in the anti-IS fight into political strength and then deeper integration into the state’s security and financial institutions. The 2019 Iraqi budget allocated \$2.16 billion to the Popular Mobilization Forces (PMF),<sup>2</sup> the umbrella organization for the country’s predominantly Shia militias. Despite a significant drawdown in the war against the Islamic State, Iraq raised the PMF’s allocation in the 2021 national budget by 27 percent.<sup>3</sup> In contrast, funds for the elite Counter Terrorism Service and the Ministry of Health—notwithstanding the coronavirus pandemic—were cut by 18 percent and 16 percent, respectively. Militias within the PMF also collect funds through unsavory side ventures, with Asaib Ahl al-Haq taking in \$300,000 a day from check-point fees at a single border crossing.<sup>4</sup> Thus, even as they reap largesse from the Iraqi budget, these militias bleed the state dry by partaking of its customs and border revenues, among other resources. Coupled with such corruption and the targeting of activists, the PMF saw its legitimacy suffer seriously when four militant groups loyal to Grand Ayatollah Ali al-Sistani broke away in April 2020.<sup>5</sup>



The resulting flow of militia money from Iraq into Iran was therefore unsurprising, breaking U.S. sanctions and threatening Iraqi government compliance with them. In particular, the militias have exploited Iraq's notoriously corrupt dollar auctions scheme—mainly in place to facilitate foreign trade—to amass and launder significant amounts of money. The militias tapped into an already corrupt system. In a particularly brazen case, reported by Robert Worth in the *New York Times Magazine*, Iraq spent \$1.66 billion on tomato imports from Iran in 2017, more than a thousand times what it spent in 2016.<sup>6</sup> Lest Iran lose its predatory hold on its proxies, however, it has kept the militias fractured and in competition, positioning Tehran as their sole broker. Indeed, the removal of Soleimani and Muhandis from the command-and-control structure has sharpened the militia leaders' contest to become the new alpha.

As militias have gained power and wealth, the Iraqi state and people have suffered. The militias' Mafia-style tactics have confounded governance, stunted local business, and deterred new foreign investment. The World Bank ranks Iraq 172 of the 190 countries in its "Ease of Doing Business" index, above only Syria, Libya, and Yemen in the Middle East. Some firms with an existing presence in Iraq are leaving, as Lockheed Martin did after repeated militia rockets attacks on Balad Air Base. Unlike his predecessors, Prime Minister Kadhimi has taken action to bolster the state and combat lawlessness, but in so doing he has inflamed the militias and their political fellow travelers who benefit singularly from Iraq's patronage politics. After taking the unprecedented step of arresting more than a dozen Kataib Hezbollah operatives in June 2020 as they prepared an attack on U.S. and Iraqi targets, Kadhimi found himself compelled to release the men following a raw show of force by militias in central Baghdad the following day. As if daring the state, different militias take turns parading in the capital and several southern cities.

Ever since the October 2019 popular uprising for which the militias were a main target, the

militias have assassinated some thirty activists and abducted dozens more. The most notable incident was the brutal and brazen July 2020 assassination of Kadhimi's key advisor Hisham al-Hashimi. Although the perpetrators were never identified, the killing was widely understood—including by Kadhimi himself—as a message to the prime minister, who had relied on Hashimi's counsel to systematically bring the militias under state control. Despite promises, the government has failed to hold the perpetrators to account. Absent efforts to challenge the militias' impunity, such targeted assassinations will likely become only more ferocious leading up to the Iraqi elections, rescheduled for October 2021 (from April 2022) in response to demands from protestors. The Iraqi state's military and civilian leaders have feared that standing up to the militias could invite a coup—but such acquiescence could become a self-fulfilling prophecy as the militias grow even stronger.

Alongside their opposition to U.S.-Iraq relations and their targeting of both countries' military and civilian interests, Iran-backed Iraqi proxies pose a threat to other Middle East countries. Drone attacks against Saudi Arabia's capital and oil facilities reportedly originated in Iraq.<sup>7</sup> Moreover, Iraqi militias continue to fight in Syria in defense of the Assad regime.<sup>8</sup> This explains the fatalistic sense that Iraq was "lost" to Iran, especially under Abdulmahdi's government, in some official U.S. quarters.

Further, when Qods Force commander Soleimani was killed in early 2020, many militia leaders apparently went underground, but the emergence of militia parades since Biden took office has given many Iraqis an uneasy sense of déjà vu. A successful U.S. Iraq policy, therefore, must include concrete expressions of American interest in Iraqi stability and prosperity. Under Trump and his onetime national security advisor John Bolton, the singular focus on squeezing Iran economically left scant room for an approach to Iraq founded on issues or conditions specific to Iraq—including the country's financial crisis or its dispute with the Kurdistan

Regional Government (KRG). The positive exception was the weaning of Iraq from its dire dependence on Iranian electricity and natural gas. Now, the Biden administration has a chance to correct its predecessor's overfocus by offering a more holistic approach.

Members of the Biden administration need not espouse a hawkish or interventionist foreign policy stance to assuage the Iraqi leadership, but they will need to signal commitment—for which many Iraqis searched in vain during the Obama administration—and be creative. Otherwise, Iraqis will be loath to keep casting their lot with a distant, seemingly capricious foreign power.

## Dismantling Patronage and Corruption Networks

Iraqis use the word *corruption* synonymously with the patronage system in which government offices are handed out along ethno-sectarian lines. Indeed, Transparency International ranks Iraq as one of the most corrupt countries in the world—160 out of 180 included for 2020. Relatedly, Iraqis blame sectarianism for their bleak governance situation. To challenge this framework, a new strain of cross-sectarian Iraqi nationalism is emerging that puts a premium on government performance, not identity. The leaders of this movement, fearing militia reprisals, have largely stayed behind the scenes, but they are demanding that their government exercise the power of saying no not only to Washington but to Tehran as well. Although potentially a potent anti-militia and anti-Iran antidote, Iraqi nationalism has historically centered on strongman rule, the reemergence of which could bode ill for Iraq's other neighbors, which once suffered the consequences of Iraqi militarization.

Deep corruption, and the associated lack of jobs and services, was a principal cause of the October 2019 popular unrest. Only the pandemic—not the unchecked violence of militia snipers and government security forces, not the more than 560 dead

and thousands wounded in the protests—quieted the demonstrators. Even as the economic and Covid-associated public health crisis persists into spring 2021, protests have resumed.

Contrary to what U.S. and Iraqi media outlets often suggest, Iraqis are concerned primarily with their own government's hugely ineffective economic policy and endemic corruption—beyond their objections to U.S. and Iranian involvement in the country.<sup>9</sup> Only corruption and economic mismanagement can explain the double-digit poverty rates in Iraq's southern provinces that have been largely immune to sectarian strife or IS destruction.<sup>10</sup> Moreover, patronage politics through mass hiring for government jobs has stifled private-sector opportunities for youth. In one stark example of public-sector ineptitude, Iraq has not seen the construction of a new public hospital since 1986.<sup>11</sup> Even anti-Iran sentiment expressed by demonstrators is chiefly related to Tehran's role in hurting the Iraqi economy, and shielding its corrupt cronies from accountability.

Various statistics point to the rot in Iraq's economic system. Since 2004, public employment rolls have tripled,<sup>12</sup> with employees' salaries, pensions, and associated retirement benefits ballooning by 400 percent and swallowing about half of Iraq's 2019 budget.<sup>13</sup> The KRG, where about a quarter of the population is on the government payroll or benefits, has more generals in its Peshmerga force than does the U.S. military. To be sure, government jobs and pensions alone cannot successfully address Iraq's rampant unemployment, which stands at around 25 percent for a largely young, urban population.<sup>14</sup> The country must instead open up to private business, whether domestic or foreign. Additionally, the Iraqi government has leaned too heavily on oil revenues to cover salaries, even as global prices remain depressed, creating a cash crunch.<sup>15</sup> To finance its 2021 budget of \$89 billion, Iraq needs oil prices to be at \$80 per barrel, but in mid-May 2021, they had reached only \$65. Making matters worse, the Covid pandemic has killed tens of thousands of Iraqis, with the official figure likely an underestimate.<sup>16</sup>

Even before the pandemic, Iraq's health and water management systems were failing. For instance, Iraq experienced a cholera outbreak in 2015,<sup>17</sup> and three years later 118,000 residents of Basra province were hospitalized for symptoms tied to bad water quality.<sup>18</sup> A devastating instance of Iraq's substandard health system was the April 24, 2021, fire that destroyed Baghdad's main hospital complex dedicated to treating Covid patients, resulting in more than eighty deaths. Like so many of Iraq's recent catastrophes, the deaths were the fault of staggering mismanagement: the hospital had no sprinklers, smoke detectors, or fire hoses.<sup>19</sup>

## Reducing Chaos in Domestic Iraqi Politics

Fissures within Iraq's traditional communities are as consequential as the divisions among them. While Shia groups still dominate the Iraqi government, the internal struggle for power continues to take new forms. Having reinvented himself as an Iraqi nationalist, Muqtada al-Sadr backed the October 2019 protestors before later turning on them. Hadi al-Ameri and the Iran-aligned militias, meanwhile, are competing for higher leadership positions in government and security offices. And former prime minister Maliki is himself eyeing a political comeback. Such Shia actors have largely abandoned the notion of Iraqi federalism, having developed an appetite for ruling all of Iraq from Baghdad. Meanwhile, Iraq's Sunni politicians have long been divided and coopted by various national groups and regional powers, including the Gulf states, Turkey, and even Iran. These dynamics, in turn, have shifted much of Iraq's competitive politics from backroom dealmaking in divans to the Majlis floor itself, where populism, chaos, and obstructionism reign.

The KRG, for its part, is no longer Iraq's kingmaker and is still attempting to recover from its ill-timed 2017 independence referendum and the region's ongoing financial crisis.<sup>20</sup> Concomitantly, the two ruling families—the Barzanis and Talabanis—have shown increasing signs of disunity as both transition to a younger generation of leadership whose members at times even refuse to meet with each other. Despite U.S. nudging and assistance, the two parties maintain command of separate Peshmerga units. Authoritarianism is on the rise, as demonstrated especially by the KRG's recent spate of arrests of nonviolent protestors and journalists for “working against the government,” among other nebulous crimes.<sup>21</sup> Moreover, militias have challenged the KRG's reputable security record through a series of rocket and drone attacks.<sup>22</sup> As Kurds compete in Baghdad as well, Kurdistan's top-ranking figure, President Barham Salih, was pivotal in facilitating the transition to Prime Minister Kadhimi and settling differences among the Kurdish blocs as well as between Erbil and Baghdad. Given their experience with Saddam Hussein, Kurdish leaders might be excused for being apprehensive about a strong Iraqi state. IS and militia attacks have proven, however, that a weak and chaotic Iraq can be equally dangerous.

The United States, finally, has significant leverage with the KRG, including through the payment of monthly salaries to some 30,000 fighters. Yet Washington has not applied that leverage adequately to keep the KRG on its democratic course at home or to promote its constructive behavior in Baghdad. Nor has Washington put its weight behind a stable Baghdad-Erbil deal over revenue sharing and the security of the disputed territories claimed by both sides, including Kirkuk and Makhmur.

## Policy Approaches and Priorities

Like its predecessor, the Biden administration will perceive Iraq as neither the strategic threat nor the strategic opportunity it was once thought to be. Whereas the Trump administration viewed Iraq through an Iranian lens, the Biden team must pivot to a more nuanced approach that regards Iraq as an autonomous state, while also acknowledging that it will not exit Iran's orbit anytime soon. In other words, Washington should treat Iraq as something beyond an arena for simply pressuring Tehran, but also recognize that any reengagement with Iran must take Iraq's stability into account.

Washington must also set reasonable expectations, for its own sake and that of the Iraqi people. The United States, for example, cannot solve Iraq's militia problem, nor can it end systemic corruption in the country. The United States likewise cannot be expected to counter Iran's every move in Iraq. What Washington can do is create an incentive structure aimed at pressing Iraq's political leaders to make investments in a stable, democratic country. To this end, the United States can support Iraq's economic and security institutions on the path to better governance. Furthermore, by more thoughtfully situating Iraq in its regional context, the United States can convene and exhort Iraq's neighbors to support Iraq in regaining its sovereignty and normalcy.

Events since 2018, when the last remnants of the Islamic State territorial caliphate in Iraq were eliminated, have underlined the need for Iraq to take its future into its own hands. Above all, Iraqi leaders will have to show political will in working to create a sovereign, stable state in contravention of the current patronage system and militia network, both of which strangle the country and rob the public coffers. In pursuing reforms, Kadhimi has employed a nonconfrontational executive style that avoids direct conflict with the militias. For instance,

he replaces corrupt officials but does not jail them, seeks expanded authority through high-level appointments, and relocates existing loyal forces but stops short of removing militias in the same area. This approach has helped stop the hemorrhaging of state sovereignty and assets, making it a necessary step in the right direction, but pushback from beneficiaries of the old system is inevitable. This goes beyond those parties aligned in various ways with Iran. Indeed, all current Iraqi political parties have some stake in resisting reform. The United States can play a role in convincing all parties to reform, tailoring its message as necessary—although in recent years security concerns and the pandemic have hindered such efforts,<sup>23</sup> keeping U.S. diplomats confined within the embassy walls.

Finally, the United States would do well to diversify its approach away from a sole focus on picking prime ministerial candidates. Since 2005, all prime ministers have been compromise choices, although none has lacked parliamentary support as starkly as Abdulmahdi and now Kadhimi. Put differently, an unfriendly prime minister can cause serious damage, but a friendly prime minister cannot be expected to deliver the security guarantees and reforms Washington seeks. Therefore, Washington would be wise to branch out by engaging Iraq's presidency and parliament while also helping open up space and create incentives for capable, reform-minded leaders to emerge.

Alongside this expanded outreach, the United States can foster a deeper, more balanced relationship with Iraq—going beyond the Iran and counterterrorism portfolios—by regarding the country in a regional context and taking steps that more directly help Iraqi citizens. Such a revamped approach will mean eschewing so-called American solutions for Iraq's problems with militias, regional powers, and the country's governance deficit. Washington, however, can support Iraqi initiatives through its convening power and through exhorting allies in the region and beyond. Above all, Washington must consistently back efforts that seek to prevent Iraq from falling under militia control.

## Islamic State Threat and U.S. Military Presence

The strongest thread in U.S.-Iraq relations is the anti-Islamic State (IS) coalition, the American-led effort that provides the Iraqi security forces (ISF) with operational support, institutional advice, and capacity building. The U.S. military footprint has changed in size and character since the coalition retook the last IS-held territory in December 2017, although Washington still provides hundreds of millions of dollars' worth of materiel annually through its Iraq Train and Equip Fund. After the three rounds of U.S.-Iraq strategic dialogue spanning 2020–21, both sides agreed on the need to maintain pressure on IS and prevent its resurgence. The terrorist group continues to pose a “low-level insurgency” challenge and to exploit security gaps in the disputed areas between KRG and Iraqi federal forces, as well as Covid-19 restrictions to reach the heart of Baghdad.<sup>24</sup> Political wrangling, militia occupation, and Iraq's economic crisis have blocked much-needed reconstruction efforts in former IS-controlled territories such as Mosul, leading to public resentments of the type the group can easily prey on.

Washington and Baghdad share the common objective of reducing the U.S. military presence in Iraq, a convergence contingent on the sustained success of the anti-IS effort. In the years since America's Iraq strategy shifted toward a greater emphasis on advising and assisting the ISF rather than directly supporting Iraqi forces militarily, the United States has withdrawn most of its combat troops, leaving some 2,500 military advisors in-country. The U.S. military has also consolidated its presence from eleven bases in Iraq down to three, helping lower the risk to U.S. personnel and thereby enhance the sustainability of the counterterrorism mission. The shift, coupled with a potential increase in NATO engagement and deployments,<sup>25</sup> could also alleviate Iraqi concerns

about a heavy-handed U.S. approach and buttress the Biden administration's goal of achieving U.S.-led multilateralism.

One current positive step can be found in the 2021 U.S. National Defense Authorization Act, which splits security assistance to Iraq into two portfolios—emergency funding for the anti-IS effort and security sector reforms. On the latter front, ISF capacity and institutions have been debilitated since the 2010 start of Nouri al-Maliki's second term as prime minister by corruption, sectarianism, and deficient training.<sup>26</sup> Duplicative agencies and roles, alongside the permanent mobilization of all security forces, have turned the ISF into a patronage hub and a financial drain.<sup>27</sup> With the increasing challenges posed by militia penetration into the ISF, American military assistance must be designed more intentionally to support security branches loyal to the state, such as the Iraqi air force and Counter Terrorism Service, while finding ways to reclaim the institutions that have proved less resilient to militia penetration.

## Iraq vs. Iran and Its Proxies

The U.S. military engagement in Iraq has not successfully dealt with the security challenges posed by militias that attack Iraqi military bases, foreign embassies, and civilian airports. Neither Trump nor Biden—as of yet—has shown a great willingness to fight the militias on Iraq's behalf. Washington sees the onus as remaining on Baghdad to curb the militias' highly damaging influence. This, in turn, requires Iraqi political will and military capacity—neither of which has been in evidence.

For the United States to lead with diplomacy, a fully staffed embassy team is the first prerequisite. At one point, Covid restrictions and rocket attacks had all but emptied the embassy of its diplomats, but



the U.S. vaccination drive and the Biden administration's attempts to de-escalate with Tehran could help restore the needed personnel. Given the active political scene in southern Iraq, Washington should also consider reopening its consulate in Basra, which it closed temporarily in September 2018 in response to militia violence. The Biden administration, however, should sustain the Trump-era policy of holding Iran accountable for militia attacks on U.S. security and diplomatic personnel inside Iraq, whether a longstanding or fringe group is deemed responsible. The Biden administration is unlikely to authorize high-profile attacks like the one that killed Qasem Soleimani, but other types of proportional, well-timed actions in the U.S. arsenal could have a comparably deterrent effect. Any U.S. attempts to deter Iraqi militias and their Iranian backers, however, must be matched with support to the Iraqi state and its security forces to carry out its own deterrence actions. In pursuing this goal, Washington and Baghdad have the support of the Iraqi public.

The surest way to end Iraq's subordination to Iran is to integrate it into the broader region. While the wealthy Gulf states have ceased pouring money into what they correctly view as a corrupt Iraqi system, their appetite for economic investment and cooperation appears to have been whetted by Iraq's arable lands<sup>28</sup> and the prospect of including Iraq in the Gulf Cooperation Council Interconnection Authority power grid. Turkey's trade with Iraq stands at \$20 billion annually, but the relationship is stressed by ongoing Turkish military offensives inside Iraq against the Kurdistan Workers Party (PKK) and disputes over Turkey allowing the KRG to export oil without Baghdad's approval.<sup>29</sup> Perhaps more important for Washington is Iraq's inability to control much of its border with Syria, which is open for the movement of militias and arms. In addition to direct security concerns, this situation deprives the Iraqi government of cross-border customs and taxes, further weakening the state and creating challenges for its long-term stability. For Israel and other actors, Iran's use of Iraq to attack Saudi oil facilities has undoubtedly caused concern.<sup>30</sup>

Years of predatory policies and overreach by Tehran have stirred Iraqi nationalism, evident in the public protests and associated pressures on Iraq's body politic. In responding to the Iraqi street, the Baghdad government could perhaps correct course and regain the sovereignty lost over the past decade and a half. Even if the militias find their legitimacy depleted, however, they will undoubtedly act to intimidate and eventually coopt and encircle Kadhimi, who in turn must fight back hard or strategically. At the moment, he seems to have chosen the latter course, adopting a slow-and-steady approach to both manage the militia threat and make hard-to-reverse gains. For example, Kadhimi has changed military commanders and imposed greater control over Iraq's borders and customs service. Kadhimi stands a good but precarious chance at earning a second term in the October 2021 elections. Indeed, the militias fear him, while the protest movement feels disillusioned after expecting him to do more. Another possibility is that Kadhimi, ever afraid of sparking a war with the militias, could ultimately cave to their intimidation and muddle through, perpetuating the tenuous status quo.

Sadly, a direct military clash between state and militia forces is a matter of when—not if. Iraq's security forces and the militias describe each other as paper tigers, with each disdaining the other's prowess. More important than who fires first is who burns first. Before asking Kadhimi to form a government, President Salih blocked the militias' nominee for the top job. The militias will try again during the government formation process following the October elections. Here, U.S. support for future Iraqi leaders should be premised on their ability to stop the bleeding of state sovereignty and resources to militias. The Iraqi constitution clearly forbids militias and other armed entities from participating in elections. Yet the Badr Organization (Ameri) and Asaib Ahl al-Haq (Qais al-Khazali) militias have dozens of members of parliament, with Asaib going from one seat in 2014 to fifteen in 2018.

As the Biden administration reengages Tehran in nuclear talks, U.S. officials should note that neither inside nor outside the JCPOA has Iran lessened its meddling in Iraq. To Iran, Iraq is a national security issue, a lofty status not afforded to Baghdad in Washington. Therefore, even as America is far stronger than Iran, the Islamic Republic will fight harder for Iraq. Besides deploying proxies, Iran has used its Iraqi neighbor as a testing ground for its missile programs, targeting U.S. forces at al-Asad Air Base and Tehran's opposition groups based in Kurdistan.<sup>31</sup> Although spawned by Iran, the Iraqi militias have grown an interest structure of their own, thriving on moves to undermine the state and loot its resources. Their very creation constituted a twisting of Grand Ayatollah Sistani's 2014 fatwa calling for Iraqis to join the ISF. Iraq could muster the military wherewithal to tackle the militias once their Iranian insurance policy expires. That is one reason the Iraqis are so closely attuned to U.S.-Iran nuclear negotiations in Vienna and why the militias agitate about Iraqi outreach to Arab states. As already noted, while Iraqi stability cannot remain dependent on U.S.-Iran relations, any American reengagement with the Islamic Republic must involve sheltering Iraq from Iran's militias and missiles.

## Russia and China

Turning to Great Power competition, Russia and China are seeking a firmer foothold in Iraq,<sup>32</sup> with both countries serving as significant foreign stakeholders in the Iraqi and KRG energy sectors. China is wooing Iraq into its Belt and Road Initiative with the promise of a quantum leap in infrastructure and, more recently, Covid vaccine diplomacy. With a \$3 billion investment that included a majority stake in the KRG's pipeline, Russia's Rosneft oil company bailed the KRG out of a costly international arbitration scheme in 2017.<sup>33</sup> And when Prime Minister Abdulmahdi faced pressure from the Trump administration,

both Russia and China reached out to him. By identifying clear interests in Iraq, therefore, the United States can promote regional stability and Iraqi economic growth, while also competing against its Great Power rivals.

## Supporting Political, Economic, and Other Reforms

In Iraq's highly competitive political system, elections and government formation processes matter. Whereas the protests that brought about Prime Minister Abdulmahdi's ouster have slowed the hemorrhaging of state sovereignty and legitimacy, only the mandate from fair and credible elections can empower the Iraqi government to proceed toward essential security and economic reforms. This is why the Iraqi elections scheduled for October 2021 are so important.

To boost election credibility and turnout, Iraq has created a new election commission and passed a new law that breaks up existing districts so that candidates run for local- rather than provincial-level seats. In late May 2021, the UN Security Council approved an Iraqi request to strengthen the UN Assistance Mission for Iraq's role in electoral observation and support.<sup>34</sup> Ahead of the elections, the United States should corral support for this effort as well as monitor political rights abuses such as voter suppression and militia targeting of candidates. Washington should likewise be prepared to refuse recognition for a sham election marred by fraud or violence.

On the matter of greatly needed governance reform in Iraq, the United States should set modest goals—helping Iraq avert a looming financial meltdown caused by the thousands of college graduates who enter the job market without prospects for employment.<sup>35</sup> The Kadhimi government has

produced an economic reform white paper that recognizes the root causes of Iraq's economic woes—namely, chronic oil dependence and state control of most economic activity. But the path from the paper to tangible results remains tortuous at best. Unlike political pluralism and freedom of speech, economic freedom is not yet truly available to Iraqis. Opening the country for business is no longer a luxury; Iraq's state-dependent economy and employment are unsustainable, and no international bailout will be forthcoming unless Baghdad fully undertakes the structural reforms that the IMF has outlined in multiple standby agreements, now joined by the white paper.

Despite endless initiatives and pronouncements by subsequent Iraqi governments, the malaise of national corruption has only worsened. Accountability remains elusive in a political system of big tent governments where political parties treat public office as a fiefdom to line their own pockets and oil the patronage and media machines that ensure reelectability. Corruption has become integral to a “dirty entanglement,”<sup>36</sup> an arrangement in which parties block reform efforts and militias flout the rule of law and enforce the informal economy.

Here, the Magnitsky Act is a useful arrow in the U.S. quiver, under which corrupt officials worry about being designated. Setting aside symbolism and messaging, the United States should extend technical assistance to the Iraqi government and the KRG with financial accounting and personnel auditing, alongside boosting their capacity to counter money laundering activity. As in other areas of reform, many Iraqi parties will oppose such initiatives, so U.S. officials will have to pinpoint Iraqi officials and entities who are willing to champion such changes. The earlier-noted white paper, for example, was the product of a reform-minded minister; Iraq's Central Bank has worked productively with the U.S. Department of the Treasury; and American officials consulted with Kadhim before he named new commanders to ensure Green Zone security, thereby limiting militia access.

“Follow the money” is the mantra of anti-corruption watchdogs, yet this is a near impossibility in Iraq's cash economy. Iraq's banking sector remains decades behind by regional, let alone international, standards, and outdated regulations and protected public banks crowd out private banks. To be certain, a robust banking sector is essential for the private sector to access capital. Specifically, the U.S. Treasury Department as well as the IMF have been pushing the Central Bank of Iraq to reform its corruption-prone currency auctions, the principal vehicle for laundering \$241–\$312 billion since 2003.<sup>37</sup> They should continue doing so.

More immediately, U.S. health assistance will carry much weight with the Iraqi people as fears of Covid-19 persist. On the energy front, even as the Biden administration is right to urgently attend to climate change, it should continue pushing Iraq to develop its natural gas resources, not only to end its dependence on overpriced and unreliable Iranian gas, but also to stop flaring associated gas and burning dirty diesel for power generation.<sup>38</sup> Some 30 percent of Iraq's electricity supply, moreover, comes from private diesel generators, which create about sixty times more pollution than gas plants, illustrating the need for massive national energy infrastructure upgrades.<sup>39</sup>

## U.S.-Iraq Opportunities in Education

A relatively low-cost, long-term U.S. investment in Iraq, and one of potentially immense value to both sides, would involve education. Especially once pandemic-related travel restrictions ease, the United States could open its gates for Iraqi students to study at U.S. institutions. Already across Iraq, and especially in Kurdistan, American-style universities and schools are proliferating, an encouraging development. The United States should view these institutions as a means to invest in Iraq's youth, while fostering deep cultural ties that could form the bedrock of enduring future U.S.-Iraq relations. In addition, Baghdad, Erbil, and Washington should invest in building linkages between American and

Iraqi universities to promote research. Iraqis are wired to the Internet, and a year under pandemic has further shrunk geographic distances between academics and students in both countries. That Iraqis have taken up learning English in high numbers surely helps. Congress should thus consider increasing funding for exchange programs such as Fulbright scholarships and the Iraqi Young Leaders Exchange Program.

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## A Path Forward

Although U.S. involvement in Iraq has fallen dramatically since the 2003 U.S. invasion, the

country remains central to the Biden administration's approach to the Middle East, which is rooted in regional conflict de-escalation, a reduced U.S. military footprint that nevertheless supports the fight against terrorism, and the maintenance of alliances despite the pressures posed by greater international competition. Ultimately, an effective Iraq policy will arise not from a specific number of troops but rather from right-sizing the approach and achieving an appropriate mix of policy tools that strengthen state security forces, support credible elections, and channel support for a range of reforms. At a minimum, a methodical approach can prevent a rupture in the U.S.-Iraq relationship that would have dire consequences. American officials will find, at last, that U.S. goals have a surprisingly receptive audience in the Iraqi people. ❖

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## The Author



BILAL WAHAB is the Nathan and Esther K. Wagner Fellow at The Washington Institute, where he focuses on governance in Iraqi Kurdistan and federal Iraq. He previously taught at the American University of Iraq in Sulaymaniyah, where he established the Center for Development and Natural Resources, a research program focusing on oil and development. Alongside his Institute analysis, he has published work in the *Washington Post*, *Wall Street Journal*, *Axios*, and elsewhere. He holds a PhD from George Mason University.



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