

A Review of Saddam's Iraq:

Three Years after the Gulf War, Part II: Social and Economic Problems

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Brief Analysis

Despite Iraq's surface stability, Saddam Hussein is struggling under the weight of the international sanctions regime, as evidenced by recent threats by Iraqi leaders of possible retaliatory attacks against the West unless the UN approves a clear procedure for lifting the sanctions. In addition to challenges from the northern Kurds and southern Shi'a, Saddam faces severe social and economic problems in the areas still under firm government control.

The sanctions have hastened a very painful process of withdrawal from an addiction to large doses of oil money that began in 1974. In January Saddam cut the state budget by 25 percent compared to 1993. This means that, at best, government subsidies will be frozen, and many public projects will come to a halt, adding to the already rampant unemployment caused by the discharge of 600,000-750,000 youths from the army. This may be one explanation for growing reports in the daily press of violent crime, which is extremely unusual for the totalitarian Ba'ath regime. There are also numerous press reports of corruption among government and party officials.

Spiraling Inflation

The most severe economic problems in Iraq are inflation and currency fluctuations. According to Saddam himself, in the fourteen months following the invasion of Kuwait, inflation of the Iraqi dinar (ID) as compared to the U.S. dollar was averaging about 70 percent per month. This pace recently accelerated to 80-90 percent per month. Even more destabilizing have been the violent fluctuations in the value of the dinar. At various times over the last few months, the dinar has lost 5-6 percent of its value in one day -- and sometimes regained it, only to plunge downhill again. Government sources admit that, while commodities are paid for in dinars, they are priced in U.S. dollars. This means that when the dinar free-falls in relationship to the dollar, prices go up at roughly the same rate.

Saddam recently tried to soften the blow by increasing food rations from 60 percent to some 75 percent of a family's needs. This has not solved the problem, however, because many essential food items -- fruits and vegetables, red meat, chicken, cheese, and fish, for example -- are not included in the rationing system. Earlier this year, the price of one kilogram of meat in Baghdad reached ID 250, more than half of an average monthly salary. Moreover, public transportation, automobile spare parts and tires, apartments, electrical appliances, and clothes are not part of the rationing system. As a result, life is becoming increasingly more difficult for the vast majority of Iraqis, and few can afford the luxury items that still flood the markets in Baghdad.

To curb the deterioration of the dinar, in late January the government allowed private companies and a state bank to exchange money on the free market. The government press reported that this boosted the value of the dinar from ID 300 to ID 210 to the dollar, but in early March it bounced back to ID 250. A number of recent newspaper articles have called for the execution of profiteering merchants and the arrest of moneychangers, but this draconian price-control system was tried before and failed. Forty-two merchants were hanged in August 1992 for profiteering, and if anything inflation accelerated. In February security officers shot and killed several moneychangers who tried to avoid arrest, but this has had little impact on currency speculation because, as the Iraqi press itself admits, the

government-owned institutions are also profiteering.

Cracks in the Ruling Elite

There have been confirmed reports since the Gulf War of purges among the Jubbur and 'Ubayd tribes, who at one time supplied the Ba'ath regime with senior army officers and government officials. Although these tribes continue to support the government, Saddam can no longer be certain of their undivided loyalty. There were also reliable reports last summer that two members of the highly respected Mukhlis family in Saddam's hometown of Tikrit were executed, and at least two more Tikriti dignitaries have been sent to the gallows. These executions represent the first serious blow to Tikriti solidarity in years. In addition, there are unconfirmed reports that the regime uncovered five coup plots in the last six months.

A series of newspaper articles that have appeared in recent years represent a new phenomenon and source of worry for Saddam because they criticize him personally, albeit indirectly. In a number of the articles, his brother Barazan implied that Saddam should rely on "debate, instead of having recourse to bullets" to prevent Iraq's disintegration. And Saddam's elder son Uday has criticized his father's decisions on a number of occasions, recently implying that Saddam had triggered a steep drop in the value of the dinar. Even a non-member of the presidential family, former editor of the government daily al-Jumhuriyya Sa'd Bazzaz, dared to publish a book on the Gulf War in 1991 that proved highly embarrassing to Saddam because it said the "leadership" had made a series of mistakes that brought disaster on Iraq. The book was banned in Iraq, but some of the accusations were quoted in Uday's newspaper. Saddam recently admitted that even "historically perceptive leaders [read: himself] may commit mistakes. Only God is free of error." Indeed, he even implied that there are "some" who are critical of his mistakes. To prevent an avalanche of this kind of indirect criticism, he has started courting journalists with monetary rewards.

Conclusions

Despite all its difficulties, the regime does not appear to be in immediate danger. Saddam's bodyguard remains staunchly loyal, apparently realizing that his demise means a bleak future for them as well. The Republican Guard seems to be holding the line, and while there is widespread disaffection in the regular army, it is still capable of putting down domestic opposition. The Iraqi public appears so dependent on government rations that it fears any major disruption of this life-line. Moreover, many Sunnis in Baghdad are reportedly so afraid of the Shi'a wrath revealed by the March 1991 uprising that they are willing to tolerate Saddam's brutal rule. Rural areas of the Shi'a south are not safe for government soldiers at night, but apart from that the regime is in control everywhere but the marshes and the Kurdish zone. In fact, many Shi'a tribes are collaborating with government efforts to curb infiltration by opposition elements in exchange for money and rifles.

Iraq appears mildly successful in improving its relations with a number of countries. The Turkish government and Jordanian cabinet ministers openly support an end to the embargo. Delegations from France, Russia, Pakistan, South Korea, and other countries have been visiting Baghdad at an increasing rate. Uncharacteristically quiet throughout 1993 -- except for the attempt on President Bush's life, Iraq has evidently been trying to accommodate UN weapons inspectors in the hope of winning relief from the sanctions. However, the United States remains firmly opposed to even discussing this, and Iraq is clearly growing impatient. Just this week Saddam declared that he was giving the Security Council one "last chance" to devise a schedule for lifting the sanctions.

This suggests that the race is on to see which will collapse first -- international will to maintain the embargo, or Iraq's economy (and with it the ability to keep the mixed population of Baghdad and the Sunni population of central Iraq acquiescent to Ba'athi rule). At current rates of consumption, Saddam has adequate reserves of rations for at least the next three years, but recent signs suggest the rot may be deeper than previously thought. In this context, maintaining the embargo is essential. Moreover, if not properly deterred, Saddam may soon test what Iraqi analysts

perceive as the disintegration of the coalition by, for example, attacking the Kurdish zone and punishing the opposition Iraqi National Congress in the process. This makes a united political-military front more important than ever.

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