

The Missing Economic Strategy in al-Kadhimi's Government

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Oct 5, 2020

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Brief Analysis

Iraq's current government lacks a robust policy of economic diplomacy needed to improve its international economic relations and therefore its domestic economic conditions. Iraq must strike balanced relationships with regional neighbors and global powers to unlock the potential of its workforce and reduce its regional dependencies. In the midst of Iraq's current economic crisis, there is no clear strategy to achieve these aims.

Iraqis made major strides towards long-term stability after announcing victory over ISIS in [2017](https://www.nytimes.com/2017/12/09/world/middleeast/iraq-isis-haider-al-abadi.html) (<https://www.nytimes.com/2017/12/09/world/middleeast/iraq-isis-haider-al-abadi.html>). As Iraqis secured their country and restored state institutions, they sought private sector-led economic growth and invited local and international investors to explore and invest in Iraqi markets. After months of controversy that culminated in the resignation of Mr. Adil Abdul-Mahdi's government, a promising new Iraqi government led by Mr. Mustafa al-Kadhimi came to power with an opportunity to support the economic reform movement in Iraq aimed at combating the crisis of plunging oil prices and rooting out hotbeds of corruption.

Amid the slump in oil prices, al-Kadhimi's government has been forced to move forward with its support for the economic reform movement. The Iraqi economy's dependency on oil revenues, the global economy's current state of uncertainty (exacerbated by the volatile U.S.-China trade war), and the impacts of the Coronavirus pandemic have all opened the necessity for economic action. From the start, however, al-Kadhimi's program of economic reform, which aims to carry out bureaucratic reforms and tackle corruption, poses a major challenge to development and economic growth in Iraq.

Despite the efforts of the government, Iraq is still restricted by domestic issues, including demands for early elections, the power of Iranian-aligned militias, and sluggish political reform. These challenges, all of which have complex economic dimensions, have had an impact on Iraq's foreign policy, pushing the country to begin distancing itself from disputes and avoiding involvement in external conflicts.

The new Iraqi government must reexamine many of its principles, methods, and policies to create effective diplomacy that stimulates external economic environment beneficial to Iraq's domestic economic affairs. Such a strategy is still missing from the government's program. For Iraq, economic diplomacy means the process of exploiting traditional diplomatic tools, including channels of communication and frameworks for cooperation between foreign countries, with the goal of seeking new markets for local products and encouraging investors and

foreign corporations to invest in Iraq. It is incumbent upon Baghdad to regard economic diplomacy as the only way to confront domestic economic challenges.

In order to meet the goals of an effective program of Iraqi economic diplomacy, the administration should examine the economic reforms that Deputy Prime Minister Ali Allawi has called for several times. Since the old methods of engaging in foreign policy from the twentieth century have become increasingly ineffective, the new focus must be to merge economic diplomacy with the state's foreign policy and move away from regional dependencies.

A key component in that diplomacy is establishing a balanced relationship between global powers and regional neighbors to ensure international assistance – grants, loans, or direct foreign investments – to meet Iraq's aspirations for local development. This is one of the greatest challenges for Iraqi economic diplomacy. Iraq must achieve balance in dealing with its neighbors, Turkey, Iran, and Saudi Arabia. At the same time, Iraq must work seriously to maintain its close relationships with Western powers, including the United States, and implement the Strategic Framework Agreement fully while simultaneously taking advantage of the Chinese-Iraqi agreement signed during Abdul-Mahdi's presidency.

After al-Kadhimi's visit to Washington this past August, it appears that the prime minister has realized the necessity of utilizing American economic expertise, specifically in the field of energy and gas, and to free Iraq from its dependence on Iran in the fields on agriculture, industry, and energy. In addition to cooperating with the United States, Iraq should start activating and strengthening its economic relations with neighboring countries, particularly in the Gulf. This can only be achieved if Iraq extricates itself from its economic dependence on Iran. Since the intensification of sanctions imposed on Iran by the Trump administration, Iran has been actively striving to escape its economic woes and increase revenue streams from Iraq. It seems that al-Kadhimi is entirely aware of this trend. According to sources, his trip in late July carried the message **"that Iraq continues to play the role of economic savior under sanctions and must be met with Tehran's assistance in reining in the militias (https://kuwaitpress.net/news/158495?tag=%D9%85%D8%B5%D8%B7%D9%81%D9%89-%D8%A7%D9%84%D9%83%D8%A7%D8%B8%D9%85%D9%8A-%D9%84%D8%B7%D9%87%D8%B1%D8%A7%D9%86-%D8%AA%D8%B3%D9%87%D9%8A%D9%84%D8%A7%D8%AA-%D8%A7%D9%82%D8%AA%D8%B5%D8%A7%D8%AF%D9%8A%D8%A9-%D9%85%D9%82%D8%A7%D8%A8%D9%84-%D8%B3%D9%84%D8%A7%D8%AD-%D8%A7%D9%84%D9%85%D9%8A%D9%84%D9%8A%D8%B4%D9%8A%D8%A7%D8%AA)."**

Iraq needs, above all, to reconfigure the concept of economic diplomacy. Currently, it is aware of the concept of using foreign policy tools to achieve economic gains and to secure national interests, which naturally include foreign policy objectives. This means that, regardless of the Ministry of Foreign Affairs' task to mandate economic targets, it is obliged to use economic instruments to meet its goals by having its own power to shape economic policies or by coordinating these policies with other related ministries.

Accordingly, Iraq is in need of a clear political roadmap for its economic and geostrategic priorities so that it may harness its economic resources and its population's creative energy while addressing the unemployment that plagues the Iraqi workforce. Forging successful diplomacy that contributes to driving economic growth in Iraq requires Iraq to be consistent in its words and actions by liberalizing its domestic markets for the private sector and working reliably according to the theory of interdependence, especially at the regional level. ❖

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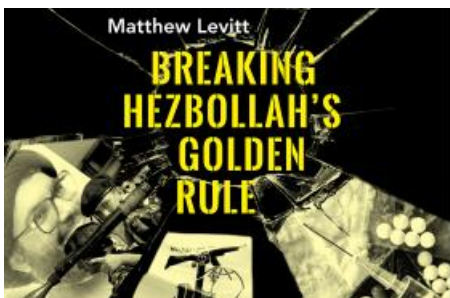
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