

Iraq at a Crossroads: Radical Reforms to Avert State Collapse

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Jun 2, 2021

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Brief Analysis

Without radical reform, Iraq faces potential dissolution and geographic fragmentation in the case of an increasingly likely economic crisis.

If the current political situation in Iraq continues as it is without drastic reform, collapse of the state is all but inevitable. This collapse could result from any number of interconnected factors: Iraq's rentier economy, widespread corruption, endemic poverty, and the country's many armed factions. It could even come swiftly in the event that oil prices drop to the point where national oil revenues cannot cover the state's expenditures for a year or more, triggering political turmoil, diverging interests, and armed factions clashing with the state or each other for control of resources. An increase in poverty and unemployment rates would certainly follow, constituting a motive for young people to rise up against the political system and demand radical change. We saw a glimpse of this potential in October 2019.

But barring a sustained dip in oil prices, Iraq's collapse would more likely be gradual, unfolding through a continuing chain of severe crises and bottlenecks. This appears to be the path Iraq is currently treading, with corruption intensifying within the state and parties governing without concern for the interest of the people and the future of the country. In addition, Iraq faces a continued shortage of services, lack of social justice, and spreading unemployment and poverty.

In fact, the only reason that the Iraqi government has not failed completely in past years has been an abundance of oil revenues, which have covered the state's operational expenses and were enough for all the parties to divvy up their shares without butting heads. Even as the overall situation continued to deteriorate, political parties did not feel pressure to mobilize.

Now, however, this former financial abundance is in danger due to the potential

<https://www.woodmac.com/press-releases/action-to-achieve-paris-climate-goals-will-upend-oil-and-gas->

prices) decrease in oil prices, bloated spending on an inflated public sector, and increased operating expenses. The day will come when the state will not be able to manage its finances. As such, the pace of the state's collapse will accelerate with the first sharp drop in oil prices. Examples of this danger emerged with the state's inability to pay its employees' salaries for several months in a row when the price of **oil fell (<https://english.alaraby.co.uk/news/iraq-oil-revenues-crash-multi-year-low>)** below \$14 per barrel last year.

In response, Prime Minister Mustafa Al-Kadhimi was forced to **announce (<https://www.youtube.com/watch?v=ScrYLeCI-0Q>)** that the state would not be able to pay salaries in the first month of 2021. The Ministry of Finance resorted to **devalue (<https://www.bloomberg.com/news/articles/2020-12-19/iraq-devalues-dinar-to-push-economy-forward-ahead-of-deficit>)** the Iraqi dinar by approximately 23% against the U.S. dollar to prevent this from happening, though the measure severely impacted the local market and worsened the living conditions for all Iraqis, to varying degrees. Along with the global oil market's recovery and the price of oil's return to \$70 per barrel, these severe measures allowed the government to pay government salaries but demonstrated how fragile government revenue is in Iraq.

Were the situation to deteriorate further, the most likely scenario would be the administrative collapse of the current regime and the retreat of the government's role to conducting limited business with control of certain areas including part of central Baghdad and the Green Zone. In this case, the government would come to lack legitimacy and lose control of some of Iraq's provinces as parties in some provinces potentially refuse to recognize the central government altogether.

The struggle for control of geographical areas, especially the provinces, will intensify as partisan forces—especially those that are armed—try to control these areas and their resources, turning them into a fiefdom or principality under their control. Given the spread of weapons among multiple factions, the southern regions would become principalities and cantons. Armed factions would battle one another to extend their influence, and infighting would rule the day.

The other scenario is a revolution of the hungry—large groups coming out into the streets, taking control of government facilities, and declaring their rebellion against the current regime's rule and their rejection of the parties' authority. This would potentially mean an outbreak of chaos in all the provinces, especially those in the south. Some of these scenes were evident in the October demonstrations, when government institutions and party headquarters were besieged, closed, and burned in Dhi Qar, Najaf, Maysan, and Basra.

Iraqi Kurdistan, in the event of such a collapse, would likely extend its hand to the disputed regions in an attempt to annex them, fortify its positions, and prevent the spark of chaos from spreading into its cities. In return, armed Arab factions may well rise up to prevent any attempt to gnaw away at these contested territories, even if the matter required fighting Peshmerga forces.

The Sunni elements may work to fortify its areas and control them administratively and militarily, which would not be easy due to the current presence of armed Shia factions in these areas. This would lead to infighting between the Tribal Mobilization Forces and the Popular Mobilization Forces and other factions, with both seeking to spread their influence in Sunni regions.

This collapse could end with the partition of Iraq into two or more smaller states. But dividing Iraq would be no easy

matter regardless of the context. The division cannot be based on ethnicity, between Arabs and Kurds; or sect, between Shia and Sunni; or a mixture of those two among Sunnis, Shia and Kurds. Partitioning Iraq on any basis would expose Iraqis to a grinding internal war punctuated with ethnic cleansing in many multi-ethnic and multi-sectarian regions.

Worst of all, neighboring states would not be likely to remain passive. Rather, these states would likely intervene directly to extend their influence within the rival principalities and cantons in the event of the collapse of the centralized state. It is not unlikely that they would militarily penetrate Iraq under the pretext of protecting their national security, with the potential for an Iranian incursion in the south, a Turkish incursion in the north, and a Saudi intervention in the west. Iraq would become an arena for these countries to settle scores and protect their interests, in parallel to the role Iraq played centuries ago when it served as the site of proxy conflicts between these countries' old empires.

Halting Collapse and Building Up the State

Iraq's current situation requires radical solutions to avoid the potentially catastrophic repercussions of the status quo. This can only be accomplished if political parties, religious leaders, and civil society work together to salvage what can be saved and return the country to a place of civil peace and coexistence. They must take the lead of construction, sustainable development, and consensus around a series of shared solutions.

Political Solutions

It has become necessary for the political regime to be changed by amending the constitution to fully meet the requirements and aspirations of Iraqi society. Holding fair, transparent elections free of fraud and manipulation should be at the forefront of this effort.

The political elite—especially the ruling parties—must put the highest interests of the country over their own interests. This will only be achieved by abandoning the current practices of distributing appointments according to patronage and favoritism, and by adopting instead the principle of employing the right person in the right place. At the same time, these parties should form a competent government capable of running the country separate from partisan influence and interference. They must choose the ministers and special grades on the basis of experience and competency, not partisan affiliation, and they must abolish the economic offices of the parties.

Keeping Weapons in State Hands

The presence of weapons outside of the scope of state control is not a viable long term situation. These arms must be restricted to the military and security institutions of the state. The state must therefore extend its control and influence over all parts of the country in accordance with the constitution. The armed factions should directly enter

into the military and security formations under the authority of the Commander-in-Chief of the armed forces, without affiliation with parties and personalities, and all armed manifestations should be eliminated; the voice of the state should be strongest and loudest. The state is responsible for preserving the security of citizens and the sovereignty of the country.

Economic Development and Governance Reform

Completely replacing Iraq's rentier economy and undertaking any necessary economic reforms must become a priority for any future government. Development plans must be adopted in long-, medium-, and short-term stages, especially with regard to developing Iraq's industrial, agricultural, touristic, and financial sectors. This allows for moving away from a dependence on oil as a primary source of national income by diversifying revenue streams. Oil industries should be developed and crude oil used as a raw material for manufacturing, not just export.

An integrated plan should be drawn up for administrative and financial reform and to stop the waste of public funds. Government spending should be lowered from 65 percent to normal rates of the federal budget, since the government is the primary and biggest employer. Here, encouraging the private sector and giving it responsibility for developing the country is the ideal solution. The Kadhim government's **White Paper (<https://www.iraq-businessnews.com/wp-content/uploads/2021/01/Iraq-White-Paper-English-version-Oct.-2020.pdf>)** may be a good starting point, though it requires the will to implement the useful solutions it includes for administrative, financial, and economic reforms.

The fight against corruption must also move from slogans to implementation. This work starts with activating anti-corruption laws and stopping the interference of parties to protect corrupt people who belong to them. This requires activating the role of the public prosecutors and judiciary, along with removing political interference in their work. The judiciary must impose the harshest penalties on the corrupt, from the entry-level public employee to the minister, and the judiciary must not accept party interference in any case.

While implementing these solutions would require a difficult and radical departure from Iraq's current governance structures, it is not possible for Iraq to continue on its current path. If Iraq does not collapse due to internal factors, it will collapse due to external factors—with a potential drop in oil prices being the most obvious immediate threat. Iraq's ruling parties and their leaders must know that they bear full responsibility for state collapse. When that happens, angry groups of people, the afflicted, will not have mercy on them, and the torrent will sweep everyone away. At present, the only way to save the country is to adopt serious reforms before it is too late.

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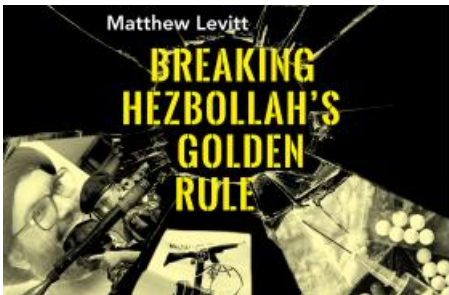
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