The U.S.-Iraqi Relationship: A Healthier Partnership is Indispensable

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Whatever the legitimacy and the wisdom behind invading Iraq in 2003 may have been, the U.S. has invested heavily in Iraq since then. Eighteen years after the invasion, the Iraqi political system that resulted from the overthrow of Saddam Hussein has received intense scrutiny from Iraqis for what it has brought to Iraq. But the post-Saddam Iraq has been a matter of significant introspection for Americans as well, especially when they think of the thousands of U.S. troops lost there and the trillions of U.S. dollars spent trying to restore the country to political and economic stability.

Today, however, both Iraqis and Americans need to think about the future. Iraq is not just a third world country where the U.S. has invested significant resources to secure its new regime nor is it just a pivotal country in the Middle East, it is an important country to U.S. national security interests. During the last 18 years, U.S.-Iraqi relations have passed through several periods of difficulties due to the lack of a clear definition of what the U.S. needs from Iraq and what in return, Iraq intends for its future.

It is true that U.S. official statements have consistently stressed the importance of creating an enduring strategic partnership with the Government of Iraq and the Iraqi people. However, there have been many fluctuations in the actual U.S. and Iraqi positions that each nation has taken toward the other during the last decade and especially after U.S. forces withdrew from Iraq in 2011.¹

As is common between U.S. foreign relations and other powers, relations with Iraq have suffered from the changes in each administration since Obama’s first term, and the U.S. has recently made major cuts in its position in Iraq in response to the break-up of the ISIS Caliphate and the attacks from pro-Iranian Popular Mobilization Forces (PMFs). This makes it vital for both Iraq and the U.S. to review the importance and terms of a real strategic partnership between the two countries as a new U.S. administration takes over for the next four years.

The goal of this commentary is both to highlight the importance of Iraq to U.S. national security and to investigate the possible approaches to creating a stable strategic partnership between Iraq and the U.S. in the Middle East.

Three Critical Developments that Show that an Effective Iraqi and U.S. Partnership Is Still Important

While the previous U.S. administration has sought to reduce the U.S. commitment to Iraq and the Middle East, the new administration needs to recognize that this could become a strategic trap in the future. A U.S. presence in the Middle East has to maintain an important but tricky balance. The U.S. must find ways to reduce an outdated U.S. military footprint without creating fresh insecurity. It has to do this while maintaining the level of deterrence and influence that is needed to address the key U.S. strategic interests that still remain.² Iraq is one of the pivotal countries in the Middle East in this U.S. balancing act. For many different historical and geostrategic reasons, the U.S. National Security Strategy (NSS) is seeking a Middle East that is:³

1. Not a safe haven or breeding ground for Jihadist terrorists
2. Not dominated by any power hostile to the U.S.
3. Contributing to a stable global energy market

ISIS Is Suffering But the Threat of ISIS and Extremism Remains

Despite the crushing defeat of its so-called caliphate in 2017, ISIS has not died. ISIS is still a huge security challenge – not just to Iraq but to the region and the world. Over the past several months, a pattern of activity and attacks by ISIS sleeper (and active) cells has emerged. This pattern of attacks is targeting isolated Iraqi security units and non-state groups who are cooperating with security forces in Sunni areas.

ISIS is also targeting crowded areas with civilians to provoke a state of fear and unrest among the population. The dual suicide attacks in Baghdad on January 21, 2021, which killed 32 civilians and injured hundreds of innocent people, is the most recent attack. This is a pattern of attacks similar to the one that took place before ISIS took over Mosul in June 2014. According to U.S. Department of Defense (DoD) estimates, more than 400 ISIS attacks took place in Iraq in the first quarter of 2020.4

Both the U.S. and Iraq need to recognize that ISIS and other extremists cannot be defeated without the cooperation and the help of local tribes and people in these areas. This is one of the top lessons that both nations should learn from defeating Al Qaeda and ISIS in Iraq from the past few years.

The people who used to live under ISIS’ control in Iraq during 2014-2017, are still expressing concerns about ISIS sleeper cells in their areas. In a recent poll, more than 40% of them were concerned about these remaining terrorists.5 The polling data correlate well with the number of actual ISIS attacks published by the DoD. In November 2017, less than 10% of Iraqis in these areas believed that ISIS or a similar group would reemerge in their areas in the future. In December 2020, the percentage expressing concern that ISIS will reemerge has jumped to more than 40% of Sunni respondents. The percent of people who have heard that people in their community might help or join ISIS has jumped from 2% in December 2017 to 5% in December 2020.6 Though this percentage shows that popular support for helping ISIS is not widespread, it is important to remember that the public opinion picture regarding ISIS among Sunni Iraqis was essentially the same before ISIS took over Mosul in 2014.

These percentages also confirm the need to keep a continuous U.S. focus on Iraq as the cradle of ISIS. Both the U.S. and Iraqi governments must be aware that the current socio-political situation in Iraq is all too similar to the one that helped ISIS to emerge in the first place. As the U.S. National Security Strategy states, both governments need to form a partnership that deals with the fact that Iraq must be regarded as a potential safe haven or breeding ground for Jihadist terrorists.

Iraq Could Be Dominated by Iran or a Power Hostile to the U.S.

One of the most obvious consequences of the invasion of Iraq in 2003 was the creation of a huge political vacuum in Iraq, which was filled by different local, regional, and global players. Iraq became the battleground of the struggles between all of these players. Although the U.S. remained a major player in Iraq, its capability to influence the political situation in Iraq also suffered severely after the Obama administration instituted its policy in the region starting in 2009.

Before that time, the U.S. strategic commitment to the region was one of the most consistent components of American foreign policy and was supported on a bipartisan basis across various administrations. However, two factors in Obama’s foreign policy strategy negatively affected the U.S. role in the region and enabled different regional and global competitors of the U.S. to emerge
As major players, Obama’s Asia-Pacific rebalancing strategy moved the importance of the region and Iraq to a secondary priority. The two U.S. failed wars in Iraq and Afghanistan also motivated President Obama to distance the U.S. from its usual regional partners in the Middle East and to withdraw American forces from Iraq.

President Obama left office with Syria, Libya and Yemen in tatters and with an ongoing war against the Islamic State’s proclaimed caliphate. This instability allowed for the return of a Russian power to the region, something the U.S. had previously worked for decades to prevent. It also enabled China to extend its influence in the region. While Obama proposed a rebalancing act to strengthen the U.S military posture in Asia and the Pacific in January of 2012, China proposed its Belt and Road Initiative (BRI) in September of 2013, which covered many countries in the Middle East in order to evade U.S. pressure on the one hand and to invest in the geopolitical vacuum in the region on the other hand.

While he acknowledged that “Iran is the source of all problems,” Obama ignored the fact that Iran – with its fundamentalist religious ideology and deeply sectarian outlook – could severely damage the strategic balance and stability in the region. Pushed by his frustration with Saudi Arabia’s tribalism and religious fundamentalism, Obama asked Saudi Arabia to share the Middle East with its Iranian foe.

Iran read this as a free pass to extend its influence in the region without consequences. It is true that Iran was always one of the main strategic influencers in the region, but only a few years after Obama’s new policy, Iran became the main player in Syria, Yemen, and Iraq – in addition to a significant increase in its influence in Arab Gulf countries.

This increase in Iran’s influence has continued over the last four years. Although Trump’s “maximum pressure” policies may have slowed down the speed of the expansion of Iranian influence in the region – possibly also in Iraq – they have not altogether stopped it and have not dealt with the pitfalls of Obama’s policies in the region. On the contrary, some of Trump’s policies have increased the tensions and hence the opportunities for the strengthening of terrorist organizations.

In Iraq, the Iranian government has created between 60-100 armed militias since 2010. These pro-Iranian Iraqi militias, some of whom the U.S. has designated as terrorist organizations, have increased in size by twenty times since 2010, according to a study published last month by the U.S. Military Academy’s Combating Terrorism Center. From having as few as 4,000 operatives at the beginning of the period, the study estimated that such militias now employ 81,000 to 84,000 personnel under the PMF umbrella. Another recent study estimated the number of fighters in these militias to be more than 120,000.

Today, Iraq seems to be viewed with considerable ambiguity by much of the U.S. policy community. It seems that it is unclear to U.S. policymakers where Iraq fits into U.S. strategic interests. Though America is still one of the main players in Iraq as a result of the huge U.S. investments made during the last several decades, it is possible that this ambiguity in U.S. policy thinking will soon turn into an active danger. Iran remains the biggest threat to U.S. interests in the Middle East, but Russia and China are just waiting for their opportunities to jump in.

**Iraq Plays a Critical Role in the Global Energy Market**

Some American policymakers believe that Iraq does not have the same strategic importance to the U.S. that it had in the past due to the sharp cuts in the U.S. need for imported oil following its big
increase in domestic production. **Figure One** shows that net U.S. annual imports of crude oil and petroleum products have declined from 12,549 million to only 670 thousand MMB/D during the last 15 years.

Likewise, U.S. annual imported crude oil from Iraq has declined from 656 thousand to 348 thousand barrels per day for the same period. Contrary to what many people think – especially in Iraq – Iraqi oil has never represented more than 5% of total U.S. annual crude oil and petroleum product imports during the last few decades.¹⁴

Yet, Iraq is now the sixth biggest global oil producer and the second biggest exporter in OPEC.¹⁵ If, for any reason, Iraqi oil is blocked or prevented from reaching the global energy market, then a major energy and economic crisis could be expected.

Although the U.S. oil market has become less sensitive to imports since the U.S. started to pump enough oil to become independent, it is widely recognized that its market is still very vulnerable to sudden political fluctuations in the Arab Gulf region.¹⁶ As the biggest oil producer and as an economy that derived 4.14 trillion U.S. dollars in 2019 from foreign trade, the U.S. continues to depend on a free and sustainable global flow of oil to its trading partners.
Figure One: U.S. Total Net Petroleum Imports and Imports from Iraq

Source: U.S. Energy Information Administration
A Healthier Iraqi-U.S. Relationship is Indispensable

One of the main strategic mistakes made by previous U.S. administrations has been to view Iraq as a battlefield to compete with Iran. The same is true for the policy of “either being with us or with the terrorists,” which was outlined by President Bush to Congress in his famous speech on the September 21, 2001. This policy has been used to justify two catastrophic wars in the region that have failed to succeed.

Sadly, the Trump administration’s policy toward Iraq and the region has also been based on the wrong premises. The U.S. truly needs a different approach to deal with the situation in Iraq if it wants to protect its strategic interests there.

Iraq, however, must also change. It must stop looking at the U.S. through the lens of the 2003 invasion. The U.S. invaded Iraq, but it has not remained an occupier. Iraq is an independent country with full sovereignty over its land, air, and water. Interests, not history, should define the mutual relationship. This does not mean ignoring this history. Rather, we should not allow history to be the sole decider in the course of the future.

It is no secret that the current political system in Iraq, which was established after the U.S.-led invasion in Iraq, suffers from deep structural and functional defects. Some of these cannot be solved unless Iraqis decide to correct them on their own.

For instance, the issue of low social trust is one of the main problems in Iraq nowadays. It could be regarded as the mother of all problems in the country’s socio-political system. Iraqis, in general, have low trust in different Iraqi institutions as shown in Figure Two. More importantly, and because of the growing mix of different socio-political tensions over the last few decades, Iraq has lost much of its social trust which is the cornerstone of any social capital.

**Figure Two: Iraqi Trust in State Institutions**

![Trust in Political Parties is only 7%](image)

During the last decade, Iraqi trust in other Iraqis declined sharply to reach 7% presently, as is clear in Figure Three. This problem needs not only to be addressed by Iraqis, but it also needs to be resolved internally and without the interference of any foreign influence – via a new socio-political contract. This contract should guarantee the support of all stakeholders in Iraq. Although different political and intellectual figures have addressed this need recently, no internal consensus on its importance, goals, and mechanisms to achieve a new social contract exists.

**Figure Three: Trust in Others**

% of people who have trust

U.S. Aid in Uniting Iraq and Creating a Stable Partner

The U.S. could help Iraq avoid becoming a failed state. This could be achieved through helping Iraq in three main sectors: security, election, and the economy (SEE). This SEE help should focus on the most urgent current needs in these sectors.

Building Iraqi Security and Stability

Iraq has been spending 9-11% of its GDP on its military forces, annually, during the last few years. This ranks Iraq among the top countries in the world in military expenditures. In 2019, Iraq spent around $20 billion U.S. dollars on security and defense, and it is planning to spend almost the same amount in 2021. Yet, Iraq is suffering from severe internal insurgent and border threats. The Iraqi security forces (army, police, intelligence, etc.) which were established after 2003, have been undermined by many sectarian, ethnic, political, and non-professional influences that led to the catastrophic ISIS occupation in 2014 when a few thousand terrorists with light and medium weapons were able to defeat hundreds of thousands of Iraqi troops equipped with all kinds of sophisticated and heavy weaponry.

The shock of the ISIS occupation made Iraq’s politicians realize that they needed a new narrative and approach. Prime Minister Haider al-Abadi worked hard to restructure and train Iraqi security forces. With the help of the U.S. and other allies, Iraqis were able to defeat the ISIS caliphate after three years.

Iraqi military and security forces have gained back the trust of many people, especially among Sunnis, who, at a certain point, felt that these forces were a sectarian and unprofessional threat. Polls after 2017 showed that Iraqi security forces garnered the highest amount of trust among all state institutions. Nevertheless, Iraq’s army and other security forces still have a long way until they reach the level of readiness and professionalism that would enable them to respond effectively to all internal and external threats. The U.S. can play a highly important role in achieving this goal.

Due to the efforts of Iran and its Iraqi proxies, U.S. initiatives to help the Iraqi security sector face real challenges. For political and ideological reasons, Iran has a strong interest in destroying any U.S.-Iraqi partnership. Iran wants to keep U.S. forces out of the region but also wants to keep Iraq fragile and weak so that it cannot reemerge as the threat it was during the 1980’s. Iran’s most important objective is to keep its control over Iraqi Shias, especially as they are the most important assets for the Iranian religious/security project in the region. An effective Iraqi-U.S. security partnership could help build strong independent Iraqi forces that could stop any Iranian ambitions to expand west.

Since 2005, the U.S. DoD and other agencies have initiated a number of programs to help the Iraqi security sector. The DoD, for instance, established the Office of Security Cooperation-Iraq (OSC-I) in December 2011 to conduct security assistance and security cooperation activities in Iraq. The OSC-I manages the provision of over $15 billion in security assistance and training for Iraq’s security forces. Iraq’s Foreign Military Financing (FMF) program began in 2012, following the end of the Iraq Security Forces Fund (ISFF) program, which ran from 2005 to 2011. Since then, Congress has appropriated over $2 billion in FMF funding for Iraq. Since 2014, Congress has appropriated more than $6.5 billion for train and equip programs for Iraqis.

Helping Iraq Create a Stable Political System

Elections became the cornerstone of the post-2003 political system in Iraq. Iraqis have gone to the ballot box six times since 2003, including the vote on the 2005 constitution. Yet, there has been increasing debate about the integrity and fairness of the voting with a continuous decline in voting turnout. While the first election reached around 80% turnout according to the formal numbers, the 2010 turnout reached around 62%.  

Although the official numbers for the last 2018 parliament election showed a 45% turnout, most independent observers reported a much smaller turnout. All recent polls have shown that Iraqis in general – and young people in particular – have lost their faith in elections. They do not see elections as a reliable way to change the political future or to make their voice heard to the elites.

Their loss of faith in the future and the negative feelings, which slightly changes based on who is in charge, had delivered nothing but failure and misery since 2003, and they were the main reasons behind the October 2019 protests. Iraqis wanted to change the system through this uprising. These protests have cost Iraq over 500 dead civilians and thousands of injured.

As a result of these protests, Abdul Mahdi’s government resigned in December 2019. Al Khadim formed the current government in May 2020 with a promise to conduct an early election at the request of the protesters. Indeed, he announced that the June 6, 2021 would be the date of this early election. Yet, because of political and logistical obstacles, the government has asked the parliament to delay the election to October 2021 with no guarantee that it will be conducted even at that date.

Regardless of when it will be conducted, recent polls have suggested that a low turnout is to be expected with widespread belief that the election will be neither fair nor transparent. In a recent meeting between Prime Minister Khadim and his senior subordinates, he confirmed that his government is
seeking to conduct a free and fair election. In January 2021, many sources referred to the possibility of full U.N. supervision of the Iraqi election to guarantee more integrity, and thus encourage Iraqis to participate.

Iraqis need more guarantees to participate in the coming election. Since they have no trust in their authorities, especially because of the increased power and influence of Iranian supported militias, the U.S. could play a pivotal role in recruiting an international mission under the supervision of the U.N. – to supervise and not just watch the coming election. The U.S. Intelligence Community has particularly good experience in monitoring and preventing foreign electronic interference in elections. This experience could be transferred to Iraqi intelligence services.

Helping Iraq Meet Its Economic Challenges

After years of corruption, bad governance, and wars, Iraq’s economy is now facing a multi-faceted crisis because of COVID-19 and the sharp decline in global oil prices. Growth is expected to have contracted by 9.5% in 2020, Iraq’s worst annual performance since 2003. GDP from oil is expected to contract by 12% (capped by the OPEC+ agreement) while non-oil GDP is expected to contract by 5% with sectors like religious tourism affected by COVID-19.

In the most optimistic scenario, the World Bank is projecting a gradual return from anywhere between 2-7.3% growth in 2021–2022. The situation, however, is already critical. By the end of 2020, the Iraqi government, for the first time since 1921, was not able to pay public employees’ monthly salaries and wages. This is because of the illogical expansion in the public payroll as it is paying monthly salaries for around 6 million employees and 2 million pensions. These salaries and wages consumed 74% of the total fiscal expenditures for 2020.

The Iraqi Government has recently responded to this crisis with a package of difficult and unpopular economic decisions. The Iraqi currency’s value has been devalued by around 22% by government action. This will not only increase the inflation rate in Iraq, but it will push many Iraqis below the poverty line.

The percent of Iraqis who live with less than $2 per day will be around 35%. Iraqis who will be either poor or vulnerable to poverty (less than $5 per day) will jump to more than 80%. Surprisingly, given such a catastrophic economic situation, the Iraqi Government has submitted a 2021 budget to the parliament asking for $103 billion with a deficit of $43 billion (41.7% deficit).

With such worrying numbers, it is not difficult to imagine new protests and riots in Iraq during 2021. Such riots will not only make the Iraqi Government’s mission difficult, but it will open the door to instability and chaos. It is likely to strengthen the reappearance of ISIS or similar organizations in the Northwest of Iraq. It will also be reasonable to assume that pro-Iranian armed militias will gain more power and control in the government.

The new U.S. administration may not be able to provide a lot of direct economic help to Iraqis, due to the consequences of the pandemic. There are, however, good opportunities to provide different kinds of help. The U.S. plays a pivotal role in the International Monetary Fund (IMF) and the World Bank. These are the two main economic global partners who need to work side by side with Iraqis, not only to lend them loans and provide subsidies, but to ensure that the Iraqi Government is following best practices in governing and managing Iraqi resources.

The Iraqi banking sector is underdeveloped and needs a lot of improvement to be able to support the economy. Figure Four shows that the Iraqi banking sector is significantly undercapitalized
compared to other MENA countries. With total assets worth only around $66 billion U.S. dollars in 2011, Iraq has an asset to population ratio of U.S. $2,000 per capita, compared to average of U.S. $23,000 for the MENA region, as well as an asset to GDP ratio of only 58% compared to a MENA regional average of 122%.  

With the help of the World Bank, the U.S. could work closely to improve this important sector. During his successful September 2020 visit to Washington, Iraqi Prime Minister Khadimi signed a number of important agreements, especially in the energy field and infrastructure development, with a total value of around $10 billion. Most of these agreements have not been executed yet and need serious follow-ups from both sides.

The Strategic Framework Agreement, which was signed in 2008, provides a good mutual foundation for more economic cooperation. Yet this agreement has suffered from the ups and downs in U.S.-Iraqi political relations. After more than 12 years, the real beneficial outcomes from this agreement are still intangible. Although the Khadimi government has held two rounds of follow-up discussions with the U.S. Government on this agreement known as the Strategic Dialogue, the results have been poor. There is a need to reinvigorate this agreement, especially in the economic side, through permanent, dedicated offices linked to the State Department in the U.S. and the Ministry of Foreign Affairs in Iraq.

**Figure Four: Iraqi Banking Sector Compared to the MENA Region**

Conclusions

Iraq is still important for the stability of the Middle East and critical to U.S. national security. The U.S. National Security Strategy has correctly underlined three important areas where the U.S.-Iraqi relations should focus: the evolution of ISIS or a similar organization, the development of a power hostile to U.S. interests, and the stability of the global oil market. In all of these three areas, Iraq looks fragile and needs serious and sustained support. However, while the U.S. played a vital role in defeating ISIS, this victory is precarious, especially with the continuing flow of bad news from Iraq, which clearly indicates that ISIS is gradually making a comeback in Iraq.

Despite the role the U.S. has played in assisting Iraqis in fighting terrorism, little progress has been achieved on the other two U.S. National Security Strategy fronts. This indicates the need to have a new, healthier approach in U.S.-Iraqi relations. The approach of “either being with us or with U.S. enemies” needs to be replaced by an approach which respects Iraq’s independence on one hand and understands the geopolitical and cultural factors that strongly effect Iraqi politics and policy on the other. Iraq may need a mentor or partner, but it does not need a master.

At the same time, the U.S. military-oriented approach to dealing with different Iraqi problems needs to be replaced with a softer approach. The U.S. has many avenues to leverage its soft power, which could be used to achieve a healthier relationship. Technical and economic help could be more effective than military help – though the latter is still important.

Iraq’s sovereignty is seriously threatened by the influence of Iran and its proxies in Iraq. These proxies were able to build a ghost state which became more powerful than the formal one. There is a desperate need to strengthen the Iraqi government and support its efforts to defeat the powerful Iran-linked informal actors who control the state’s capabilities and prevent it from serving Iraqis.

With its current fragile rentier economy, Iraq cannot yet play a constructive role in stabilizing the global energy market. Iraq needs deep structural and functional reforms on two fronts: public finance and economic resources management. The U.S. and its economic partners could play a vital role in mentoring Iraqis to build a better economy.

There is only limited time, however, to act upon these priorities. Iraq and the United States need to do more than talk about strategic partnership or issue political rhetoric. They need to act now to forge a partnership that actually works.


5 Unpublished poll by Al Mustakilla research group (IIACSS), January 2021.

6 Unpublished poll by Al Mustakilla research group (IIACSS), January 2021.


11 Author estimate; no official enumeration is available.


34 Munqith Dagher, Unpublished Interview with Al Khadimi, Baghdad, December 2020.

35 Alarbay, January 11, 2021.


45 Note, the 1st round was in July, and the 2nd round was in September 2020.