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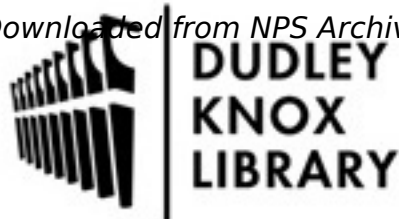
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Viewpoint: Iraq Needs a Radical Change in Economic Strategy, and a Political Commitment to National Criteria for Oil Wealth Utilization

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by [Sabri Zire Al-Saadi](#)

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Introduction

Continuous Economic and Political Challenges

Since my last article was published, Iraq's political situation has slightly improved, but terrorist attacks continue to inflict immense and painful loss of human life and cause huge damage of resources. Also, the sectarian violence and displacement have worsened, and the living standards have further deteriorated to unbearable levels. The dominant players of the conflict were trying to maximize their benefits by changing their military (violence) tactics, but not their strategic objectives. In this difficult, intense and historically crucial situation, the tough struggle continues for building a free democratic, stable, and prosperous Iraq.

Under the heavy pressure of daily vicious killings and property destructions, optimism is hardly shown by people as well as the enjoyment of individual freedom and public liberties; the only historical post-war achievement. Also, the attempted debate on democracy, future vision, and the relevancy of economic policies is fading. However, the escalation of terrorist attacks and persistent security problems demonstrate more the strategic geopolitical and economic importance of Iraq in the Middle East region and the world. It shows that losing the war against al-Qaeda terrorism and anti-democracy forces would be grave to the Iraqis, the region, and the world in spite of its massive cost. Although the U.S. military capabilities maintain its superiority in Iraq, the country witnessed significant effectiveness of the Islamic terrorists and insurgents' groups as well as increasing the burden of passive, inadequate, and hostile attitudes of neighboring regimes. The frequent discussions in the United States on possible withdrawal from Iraq and changing its strategy add more difficulties and confusion to the Iraqis, while encourages the terrorists and anti-democratic forces.

The events also showed that despite the outstanding success of the general election of Dec. 2005, expanding and deepening democracy practices need more concerted political and economic efforts. Such conclusion is also valid for Kurdistan Federal region.

For centuries, the nations of Mesopotamia have experienced old fashion dictatorships. Hence, freedom and democracy have always been the noble cause of the people's struggle in modern Iraq, especially against the oppressive Saddam's regime and, thus, they were very optimistic and supportive to the new political regime. Iraqis have had high confidence in the promising prospect of political liberties and democracy before and after the fall of the former dictatorial regime by U.S., Britain, and other coalition forces. Such bright perception coupled with the assumed rational utilization of the country's abundant resources, the living standards could have been substantially and quickly improved. Unfortunately, the hopes are fading as the new political and economic strategies and efforts have failed incredibly quickly. Even in Kurdistan region which enjoy high degree of security, the political and economic prospect is not bright.

The purpose of the original article was to deal with the causes of this failure, particularly the irrelevance of Neo-Liberal macroeconomic policies, and offered alternative economic strategy and policies. The aim was two-fold; to increase economic growth and rebuild the infrastructure, as well as to reduce the economy's high dependence on oil and condition oil utilization by only national economic criteria. Since its publication, violent events have not changed the given views and propositions. They are still viable for reflecting Iraq's reality, people's hopes, and dealing with the prevailing crises. Politically, it is hoped that the provision of well-defined economic strategy and consistent policies would empower the weak liberal, democratic, and social-democrat political groups to establish solid foundations and generate publicity for their economic and political programs. Obviously, the given views and propositions are radically departing from the applied fallacy Neo-Liberal economic policies. In this respect, it should be remembered that while the dominant Islamic political parties have neither scope for contemporary economics nor willing for social progress, they are exploiting the people discontent for promoting their vague objectives.

Lessons from recent events are useful to elaborate earlier propositions as follows:

1. Bad economic performance has sustained the politicians' credibility problems and confirms the incompetence of the officials and foreign advisors for regulating the economy and managing the country's resources^[1], which reduces the citizens' support to the government political initiatives. Significantly, the self-interest demands of the Kurdistan Federal Government—likely followed by new federal regions—in oil wealth remain without agreement on national economic criteria for its utilization. This position seriously undermines not only the conciliation political efforts and Iraq's economic unity, but also would jeopardize the strategic goals for Iraq. Like the well-known strategic fault of the hasty call for the privatization of Iraq's oil industry, the short-sighted and greedy interests of the KFG and foreign oil concerns in the exploitation of oil in Kurdistan region would have even more serious destabilization consequences. Such incredible economic policy confusion endures the vicious circles of violence, crime, and terrorist activities as well as further alienating the people.
2. The experience also ascertained the worry of deepening the country dependence on oil revenues as excessive spending of abundant oil revenues has produced nothing, but more corruption. Economic failure has encouraged the (weak) politicians, incompetent officials, international organizations, and corrupted elements for more reliance on foreign loans and financial assistance. This is another negative aspect of the current economic policies.
3. Economic success has a strategic influence and essential for having a fully functional state of Iraq. Therefore, urgent action is necessary to prepare the "Iraqi Reconstruction and Economic Revival Plan" on different bases from the Neo-Liberal economics. IRERP is neither new experiment nor an emergency one. Unlike the "National Development Strategy 2005-2007", it is not a government annual budget. IRERP is a comprehensive scheme for the reconstruction of the country's physical, social, and environmental infrastructure within long-term economic vision for transforming Iraq's oil-rentier economy into a competitive free market economy containing positive social dimensions. Oil revenues should be the main source of IRERP finance. Considering past experience and

- facts, the IRERP should detail the reasons for the new economic strategy; objectives and policies, define institutional guidance and administrative measures, identify human development elements, as well as the priority programs and projects; e.g. the public work program for Sadr city, development of marshes land of Basra, Nassiryia, and Omara neighborhood, rehabilitation of manpower program, electricity, water, development of oil resources. It is assumed to be prepared by the proposed IDRC, and the projects should be implemented by the private sector. The details of macroeconomic policies must be elaborated by the ministries within the new strategy objectives.
4. To explain the evolving role of the militias and identify the way for disbanding them, enough attention should be given to their salient social and economic features, especially for the popular Mehdi army. They are; poverty, high unemployment, and low living standards (lack of education, health, and public utilities and services).
 5. The present legitimate elected national conciliation government has nothing to offer the public more than to perpetuate its paralysis position. Because there are no single or coalition strong parties capable to assume active government responsibilities, external initiatives are necessary to guide the government for defining and performing its functions.

The Strategy: Determinate Economic Plan Not Policy Cliché

It looks adequately effective to deal pragmatically with the current crises in Iraq. Indeed, pragmatism dominates the thinking of Iraq's policy-makers. However, a little thought on the relevancy of the "methodology" for analyzing Iraq's crises may be essential to qualify this approach.

In abstract, any complex military, political, and economic conflict can be defined, analyzed, and solved mathematically and quantitatively in terms of number of players, objectives, strategies, pay-off, and the rules of the conflict's game. Rationality of the players is a pre-assumption in the contemporary conflicts. In most cases, optimal solutions could be realized for such classic game.

In reality, however, the extraordinary situation in Iraq witnessed a different kind of conflict's game. Iraq's society is a multi-ethnic, and multi sectarian, i.e. there are different and interwoven political and economic interests, varieties of social values and culture. Also, the mainstream political parties that are engaged in the political process; the Arab religious Shiites and Sunnis, the nationalist Kurds, Kurdistan Islamic group, and the less influential secular and democratic parties are incapable of settling their political differences and determining their economic objectives and policies^[2]. They offered only short lived non-substance slogans and repeat their hollow promises^[3]. In addition, the public sector enterprises are either destroyed or operate under-capacity, while the private sector is weak and lack entrepreneurship initiatives. They are very weak players and have little economic and political power. Only traders and small contractors are relatively active, but without political power. Meanwhile, the vast majority of people are unemployed and poor with little basic public services and utilities, whereas the economic, social, and political bases of the middle class and intellectuals are very small and ineffective. The government and public institutions are inadequate. Significantly, all concerned indigenous political players as well as the United States and foreign concerns rely on the availability of oil revenues as the remedy for existing economic acute problems.

Excluding the complexity of foreign interventions, Iraq's conflict is characterized by the dominant military, political, and financial power of the United States; Iraq's strategic ally. As a main player, it can set up the rules of the game and recognizes (select) the players among many; the Iraqi people, political parties and groups, and business community. In normal situation, each player strives for its own objectives. However, in the current crisis, we have a unique conflict's game that has simple features; a dominant player, one rule, one feasible solution, and no-exit strategy; i.e. a Jigsaw Puzzle (JP) static game. The prime objective (the picture) of the game is to build a free democratic, stable, and prosperous Iraq. Like in most developing countries, leadership initiatives

based on strong political will, knowledge, experience, and communications skill are essential to cope with the dynamics of Iraq's political and economic situation. Thus, a realistic JP picture, i.e. IRERP initiative, which draws the road map to alleviate poverty, increase employment, reconstruct the infrastructure and improves public services and basic utilities, is very crucial for ruling Iraq successfully by Iraqis and help to end the military occupation quickly. If such economic endeavor were to be successful, it would reassert hopes and provide the necessary condition, though not sufficient, to ensure individual freedom and promote democracy as well as improving quickly the living standards. Otherwise, Iraq's survival would face a terrible future.

About the Author

Sabri Zire Al-Saadi is an economic adviser who has worked in a number of Arab countries as Chief Technical Advisor, Macroeconomist, and Investment Programmer, and has held senior economic planning and policy posts in Iraq. All given views are the sole responsibility of the author, and do not necessarily represent his employer's opinion or that of any Iraqi political entity. He may be reached by e-mail at: sabri_saadi@hotmail.com.

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References

1. Analysis of the negative impact of macroeconomic policies on economic growth, diversification, and oil production was given in Sabri Zire Al-Saadi, "Liberalization Strategy for Oil-Hostage Economy: Alternative to Oil Power Dominance and Neo-Liberal Economic Policy," part 1 and 2, *Middle East Economic Survey* (MEES) 49, nos. 42 and 43, October 16 and 23, 2006.
2. The political groups that are strongly opposing the new regime in Iraq include the religious Sunnis, Arab nationalists, the group of Shiites opposing occupation, as well as the armed insurgents composed of the remnants of the army, intelligence, security forces, and the Baath party of Saddam's regime, al-Qaeda where foreigners are effective, and other small, local, and tribal armed groups.
3. The credentials of elected members of the parliament may not adequately represent available Iraqi human talents and capabilities.