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Challenges Facing the Iraqi Government for 2023

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Introduction

The government of Muhammed Shia Al-Sudani has been described as unstable and weak since its formation last October. Nominated by the Iran-backed Coordination Framework (CF), and [Held together](#) by loose alliances between Shi'a, Sunni, and Kurdish political powers under the "State Administration Alliance", in addition to animosity towards Muqtada Al-Sadr, the government has been facing continuous political crises. From corruption, economic challenges, to security threats, the government of Al-Sudani is under stern pressure from both political elites and the public. As time goes on, the government comes closer to [finishing its first 100 days in office](#), the time limit that members of the CF gave before evaluating the performance of the new government.

This Insight aims at exploring the challenges facing the Iraqi government, as well as highlights issues such as the current economic crisis and the internal strife within the CF, and how the government of Al-Sudani is engaging with them. It first examines the circumstances surrounding and the reasons behind the current economic crisis. Second, it sheds light on the differences between leading figures within the CF. And finally, it explores the role of Muqtada Al-Sadr and the Sadrist movement in providing stability, or further destabilizing the government.

The Economic Crisis

Over the last month of 2022, the value of [the Iraqi dinar](#) has plummeted to its lowest value in almost 20 years, with the exchange rate reaching 1550 dinars for one US dollar in late December from approximately 1460 a month before. There are internal and external factors behind this fall. [Domestically](#), the decrease in the dinar's value can be attributed to two reasons. First, the currency auction held by the Central Bank of Iraq (CBI) saw the rise of "cartels" that hoard foreign currency, which, in turn, inorganically rased the demand for US dollars without sufficient supply. And second, the CBI introduced a new mechanism that private banks and individuals must follow in order to buy US dollars. This led to confusion due to inexperience with the process. As for the [foreign factors](#) behind the economic crisis, this can be attributed to the new approach of the US federal reserve towards Iraq. The Iraqi government deposits oil revenues in the federal reserve, then withdraws cash and assets from its account for imports and provide hard currency to the Iraqi market. The issue is that the federal reserve, under suspicion that US dollars have been flowing through Iraq to sanctioned countries such as Iran and Syria, started to scrutinize withdrawal requests made by the CBI. This led to [delays](#) of up to a week or two for single withdrawal requests. In addition to that, the embezzlement of more than a billion dollars from tax money, which was

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uncovered a few months ago, dubbed “the heist of the century” led to the federal reserve applying more pressure and further inspecting of bills presented by the CBI, to ensure that the requests were not related to sanctioned individuals or entities. This led to the federal reserve [rejecting](#) approximately 75% of all withdrawal requests from Iraq. Which, in turn, further increased the demand for dollars without supplying the market.

The current economic situation has attracted criticisms against the government, with people from different political alignments accusing Al-Sudani’s government of incompetence. For instance, [Sajjad Salem](#), an independent MP, and member of the Parliament’s financial committee, has blamed the corruption and incompetence of the government and the CF for the current crisis. On the other hand, [Hanan Al-Fatlawi](#), an MP representing the CF, has called for the government to take responsibility and explain its mismanagement of the situation.

The government of Al-Sudani, in an effort to curb the criticism raised against it, [has announced](#) the largest expansion of the public sector since 2009. Al-Sudani directed the creation of 300 thousand new positions in different ministries, such as the ministries of health, education, and oil. This decision was met with large scale disapproval from both economists and opposing parties. They accused Al-Sudani of further inflating an already bloated public sector stating that the government already spends more than 6 billion dollars every month on salaries for more than 9 million employees in the public sector.

Internal Tensions within the Coordination Framework

As of recently, Al-Sudani has been under pressure from his allies in the CF. [Rising tensions](#) within the CF threaten the stability of the government. Disagreements and differences have been growing between the two major members of the CF. On the one hand, the State of Law alliance, led by former Prime Minister Nouri Al-Maliki, is the largest party in the CF with 38 seats in the parliament. On the other hand, Qais Al-Khaz’ali, leads one of the most prominent militias in the country, Asa’ib Ahl Al-Haq, which is under [US sanctions](#), and is closely linked to Iran. Early signs of the internal struggle between CF members were observed during the government formation stage. Al-Khaz’ali and Al-Maliki [competed over](#) filling security positions such as the head intelligence and the head of the elite counter-terrorism service. It is important to note however, that Al-Sudani was [pressured to refuse](#) these requests from his allies, due to American insistence that these posts are kept away from Iran-backed groups.

Furthermore, the difference in visions between Al-Maliki and Al-Khaz’ali can also be observed through their approaches towards the government of Al-Sudani. [Al-Khaz’ali](#) stated that Al-Sudani must discuss his decisions with the CF, claiming that due to Iraq’s political structure, the Prime Minister should act as a “general manager”. As for Al-Maliki, it has been reported that he has been aiming at reducing Al-Sudani to a figurehead. In December, [rumors](#) arose that three ministers affiliated with Al-Maliki had resigned, before being disapproved by Al-Maliki’s spokesperson. These statements reflect a rift in the CF among the two wings led

by Al-Maliki and Al-Khaz'ali, which are struggling for influence within the government of Al-Sudani.

Al-Sudani, on his part, has attempted to create his own influence to provide him with independence from the CF. He has appointed members of his tribe to security and bureaucratic positions. For instance, Al-Sudani dismissed the previous head of intelligence, Ra'id Jouhi, due to his close relationship with previous Prime Minister Mustafa Al-Kadhimi. Currently the intelligence agency is [directed](#) by the Prime Minister himself and [managed](#) by a member of his tribe, Ahmed Al-Sudani. In addition, the head of government appointed Major General Sami Al-Sudani as head of boarder control, and [Lieutenant General Abdul Karim Al-Sudani](#) as his security advisor. These actions were met with criticisms from the CF, accusing him of attempting to alienate them by dominating security positions.

Sayyed Muqtada Al-Sadr

Another challenge facing the government of Al-Sudani, is Muqtada Al-Sadr. Whether the Sadrist movement is in the political scene or not, it remains one of the most prominent players in Iraqi politics. [The resignation](#) of the Sadrist movement's MPs en masse in mid-June was hailed by the CF as a victory against Al-Sadr. However, the resignations did not initially lead to their departure from political life, but rather led to further political instability. The Sadrists [stormed the governmental Green Zone](#), blocked the parliament from meeting for over a month, and called for early elections. The Sadrist escalation showcased the fragility of political and social order in Iraq.

As political disagreements between factions descended to an armed

confrontation between the Sadrist "Saraya Al-Salam" (Peace Brigades) and "unknown" armed factions, [more than two dozen](#) were killed. Some claimed the Sadrists were attacked by [Iranian-backed militias](#), others say it was the special division tasked with protecting the Green Zone. Regardless of who the belligerents were, or who initiated the confrontation, the last days of August displayed how quickly political factions in Iraq are willing to resort to violence in order to preserve the status quo that benefits them, and how devastating armed confrontation can be.

In conjunction with the events in the Green Zone, Al-Sadr was facing a [major challenge to his legitimacy](#) coming from Iran. Ayatollah Kadhim Al-Ha'eri, the Marja' (Religious Reference in Shi'a Islam) of Sadrists since the death of Muqtada's father, Sayyed Muhammed Muhammed Sadeq Al-Sadr, announced, from Iran, that he is stepping down from his position, and that his followers should follow the Maraj'yyia of Ayatollah Ali Khamenei. This constituted a serious blow to Al-Sadr's legitimacy as a Shi'a cleric. As he himself does not possess the religious credentials required to lead the Sadrists as both a political and a spiritual leader. This, coupled with [the message from Grand Ayatollah Ali Al-Sistani](#), that was conveyed to Al-Sadr, which called for an end to the violence. The message led to Al-Sadr denouncing the violent acts committed by his followers, announcing an end to the month-long sit-in that had obstructed Parliament meetings, and declaring his withdrawal from political life.

Recently, Sadrist Telegram groups have been posting in support of the protests in Iran. It is interesting to note, however, that in spite of Al-Sadr and his followers' harsh anti-Iranian stance, the

[Iranian state, and state-controlled media have refrained from publicly attacking him](#). The Iranians realize two things about Al-Sadr. First, he has massive popular support, as proved by his ability to mobilize his followers to vote, protest, storm the parliament, and withdraw from it. And second, [his legitimacy is not linked to Iran](#). Unlike many leading Iraqi figures, he did not reside outside of Iraq under Saddam Hussein's rule. His legitimacy stems from his father, and from his role in rallying the people in the southern provinces to resist the US led invasion of Iraq of 2003. Therefore, Iran usually refrains from publicly antagonizing Al-Sadr. Perhaps, this Iranian policy might be fruitful in overturning Al-Sadr's criticism of its policies in Iraq. On November 7th, [Al-Sadr's official Twitter account](#), tweeted for the first time since October 18th. In his two page-long post, he said: "...This vicious attack on Islamists and against clerics and the campaign of removing virtue and hijab in the Islamic Republic might spread to other countries... [we] Muslims are facing a brutal enemy with no mercy in his heart...". Al-Sadr's tweet can be understood as him recognizing that he shares -or at the very least once shared- a common enemy with Iran. Which, in turn, might result in ushering a new stage of relations between Al-Sadr and Iran, and subsequently, the CF-led government. But, then again, almost [no one can successfully predict Al-Sadr's next move](#). Which, paired with his followers' unwavering loyalty to him, arguably makes him the most important political leader in Iraq.

Conclusion

Overall, the government of Al-Sudani is under immense pressure from different sides of the political spectrum.

Domestically, Al-Sudani must balance between the demands of his allies in the CF on the one hand, and of the aspirations of the street of combatting corruption and sustaining a stable economy on the other. All while attempting not to provoke a violent return to political life by the Sadrists. Internationally, the government should tread carefully on its relations with both the US and Iran. In order to restore stability to the Iraqi dinar, the government needs to adhere to the pressures from the US to combat illegal trafficking of US dollars. Yet, by doing so, the government will be in direct confrontation with Iran and by extension, its domestic proxies, which form the backbone of Al-Sudani's support. Therefore, Al-Sudani must realize that failure in any of the aforementioned files can immensely tarnish the image of his government and could potentially lead to its early demise.

About the author

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