

CSAG INFORMATION PAPER:
The Dynamics of the Fragile State of Iraq:
The Impact of Political, Economic, and Security Factors
CSAG

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1. **Subject: The Dynamics of the Fragile State of Iraq: The Impact of Political, Economic, and Security Factors.**
2. **Purpose:** This paper presents the CSAG's analysis of the political, economic and security dynamics in Iraq, the extent of Iranian influence within the country, and potential future trajectories for Iraq.
3. **Introduction:** Iraq's stability and security are of critical importance for the broader Middle East region, since it has the strategic location, cultural and religious inter-relationships, and economic inter-dependencies. However, Iraq's political and security environment faces significant challenges due to ongoing instability, the presence of diverse religious and ethnic groups, Iranian influence, corruption, and the remnants of ISIS. As Iraq stands at a decisive moment with the end of the US-led military coalition, the country's ability to positively manage and direct its own peaceful future will have far-reaching implications, particularly with the disputed role and presence of the US in the country.
4. **Facts Environment in Iraq:**
 - a. **Political**
 - (1) Despite regular elections since 2005, Iraq is not yet a consolidated democracy. The threat of changing the government through non-democratic means remains present due to the power of armed militias and political parties that have previously demonstrated an intent to seize power through illegitimate means.
 - (2) Sectarian and ethnic diversity is reflected in the Iraqi political power-sharing system which consists of the government, parliament, and political elites, where sectarian loyalty emerges within party and political components. This encourages corruption and emphasizes ethnic/religious divisions.
 - (3) Relations between the Kurdistan Regional Government (KRG) and the central government are complicated by long-standing disagreements over oil revenue sharing and control of the

disputed territories, which include the oil-rich region of Kirkuk and by KRG's push for greater autonomy.¹

- (4) Since 2003, Iran has been able to play a large and influential role inside Iraq, taking advantage of the sectarian and ideological rapprochement with the Iraqi Shi'a elites who previously received support from the Iranian regime.
- (5) The Coordination Framework Alliance, a broader Shia political umbrella encompassing most of the Shia parties, is currently controlling the authorities of the Iraqi state (executive, legislative, and judicial).²
- (6) A few young nationalist movements (e.g. the Tishreen movement)³ have emerged in the last five years, representing a fresh and promising political trend, promoting ideas of fighting against corruption, and reducing the external and religious influence on the political process.

b. Economic

- (1) Iraq's economy remains heavily dependent on oil exports and has struggled with high unemployment and poverty.
- (2) Despite the abundance of economic resources in Iraq, sectarianism, poor distribution of wealth, and the disconnection between the central government and the provinces have led to a lack of benefit for Iraqi citizens or national production.
- (3) Widespread corruption and mismanagement of the government budget have plagued Iraq's economy. Corruption has been a major barrier to economic progress and collaboration between the central government and the KRG.
- (4) The presence of armed non-state actors and the threat of governance transition through non-democratic means also contribute to economic instability and uncertainty which deters foreign investment and hampers attempts to diversify the economy.
- (5) The security environment, which is negatively affected by ISIS activities in Iraq, has also damaged the economy and critical infrastructure (ISIS damaged or destroyed multiple power plants during its occupation of parts of Iraq).⁴
- (6) Iran has started to fill Iraqi markets with cheap and poor-quality Iranian products supplanting domestic production, especially agricultural produce.⁵

¹ Fazil, Shivan and Tartir, Alaa, "Iraq in 2023: Challenges and Prospects for Peace and Human Security," *Stockholm International Peace Research Institute*, March 17, 2023, <https://www.sipri.org/commentary/topical-background/2023/iraq-2023-challenges-and-prospects-peace-and-human-security>, (accessed May 7, 2024).

² **The Coordination Framework (CF)** is a coalition of several Shia parties, including the State of Law Coalition led by former Prime Minister Nouri al-Maliki, the Hikma Movement led by Ammar al-Hakim, and Iran-backed groups like the Badr Organization and Asa'ib Ahl al-Haq. The CF emerged after the October 2021 Iraqi parliamentary elections, in which Sadr's party won the most seats.

³ Alkhudary, Taif, "Young Revolutionary Parties Are Still Iraq's Best Hope for Democracy," *The Century Foundation*, January 19, 2023, <https://tcf.org/content/report/young-revolutionary-parties-are-still-iraqs-best-hope-for-democracy/> (accessed May 7, 2024).

⁴ Duke, Alan, "ISIS Claims Gains, Takes Control of Iraq's Largest Hydroelectric Dam," *CNN*, August 2014, <https://www.cnn.com/2014/08/03/world/meast/iraq-crisis-isis/index.html> (accessed May 7, 2024).

⁵ Faris, al-Omran, "Iran, Proxies Sabotage Iraq's Agriculture Sector," *Diyaruna.com*, June 20, 2019, https://diyaruna.com/en_GB/articles/cnmi/di/features/2019/06/20/feature-03 (accessed May 7, 2024).

c. Security

- (1) The Iraqi security landscape is fragmented, with various components like the Army, police, and paramilitary forces operating with limited coordination and cohesion. This has posed challenges in developing a unified, effective security apparatus in the country.
- (2) The Iraqi Armed Forces have grown significantly in size and capabilities since the US-led “Operation Iraqi Freedom” in 2003, with extensive support and training from the US and coalition forces. However, they have faced persistent challenges related to sectarianism, logistic competence, and dependence on coalition operational capabilities.
- (3) The operations to combat ISIS contributed to improving the expertise and capabilities of the Iraqi forces, thanks in part to Western support and training. Concurrently, the dire conditions created by ISIS allowed Iranians to accelerate the competency and legitimacy of Popular Mobilization Forces (PMF).
- (4) The PMF has emerged as a powerful political and military force in Iraq, with deep ties to Iran, that has been able to resist attempts at state control and assert its influence across the country, posing challenges to the Iraqi government's authority and stability.
- (5) Kirkuk, a disputed territory, with competing claims between the KRG and the Central Government of Iraq over control of the oil-rich province, is a center of frequent deadly violence.
- (6) The Sudani government is under pressure by Iranian backed groups to remove US troops from the country.

5. Iranian Involvement in Iraq:

- a. Iran has significantly increased its influence and involvement in Iraq since the 2003 US-led coalition operation, providing military aid, economic and political support to various Shia groups and militias to prevent the emergence of a strong anti-Iranian government in Iraq and expand Iran’s power regionally.
- b. With the US drawdown, Iran has moved to cement its political dominance, getting key allies like Mohammad Shia al-Sudani installed in high offices. Tehran secures PM Sudani’s ongoing loyalty by underwriting his political survival through the Shia Coordination Framework. Sudani's pro-Iran leaning government includes ministers with ties to PMF and Iranian-backed terrorist groups like Kataib Hezbollah (KH).
- c. Rather than being a distinct entity, KH is deeply integrated into the PMF structure at multiple levels, holding key leadership positions and operating several brigades officially under the PMF's command with funding from the Iraqi state.
- d. IRGC-Quds Force supports activities of loyal militia groups (e.g. Asaib Ahl Al-Haq, KH, and Al-Nujaba) to execute the Iranian agenda, and to send political messages to the US and coalition countries. These groups have been able to evade US sanctions by regularly re-naming their organizations.
- e. Iran has expanded its economic footprint in Iraq, including dominating major sectors like oil and trade. This has made Iraq increasingly dependent on Iran economically, which allows Iran to obstruct Iraq's efforts to deepen economic cooperation with Gulf states.

6. **ISIS in Iraq:**

- a. Despite decreasing direct attacks, the threat from ISIS remains. In 2023 the Islamic State claimed 141 attacks in Iraq, compared to 401 the prior year.⁶
- b. ISIS still maintains a presence in rural desert areas of Iraq, which constitute its main support base. The Syrian desert, remote areas in Kirkuk, and the Salah ad Din province in Iraq are their preferred refuge, while they are free to move across the porous Iraqi Syrian border.⁷
- c. A lack of security and poor conditions in the refugee camps and detention facilities in northeast Syria close to the border of Iraq, pose a significant enduring threat for Iraq.⁸
- d. ISIS continues to exploit social grievances and Sunni-Shia tensions in Iraq to perpetuate its extremist ideology and seek a resurgence, even as its military capabilities have been degraded.

7. **Assessments:**

- a. The political turmoil, corruption, over-reliance on oil with the lack of economic diversification have severely undermined Iraq's economic development and stability over the past 5 years, leaving the country highly vulnerable to external shocks and internal conflicts.
- b. The Shia Coordination Framework Alliance won a greater number of seats in parliamentary elections in 2021 and the provincial council elections in 2023. This might result in a further increase of Shia representation in the upcoming parliamentary elections in 2025.
- c. Iran sees Iraq as a key channel through which to export its Islamic revolution and spread the Shia model of political Islam throughout the region. Iran has backed this up with definitive support of Shiite political parties and militias in Iraq.
- d. Iran's sectarian agenda, backing of semi-official militias, opposition to reform, and moves to install allies have significantly disrupted national cohesion and the Iraqi government's ability to establish stable, inclusive rule perpetuating cycles of violence and instability that serve Tehran's interests.
- e. The Iranian's support of the PMF, which is deeply rooted in the structure of Iraqi legitimate security forces, is to create a mirror image of the IRGC.
- f. Given evidence of the depth of Iranian influence within the Iraqi government and society at all levels, the most likely scenario in the short to medium-term is Iraq remaining under the Iranian sphere of influence, and the likely rejection of significant western influence.
- g. The unresolved status of Kirkuk and the potential for further clashes between Iraqi and Kurdish forces over control of the region are undermining security and stability in Iraq.
- h. The Sunni minority remains marginalized and divided due to Sunni political party differences, the perceived threat from IDP camps, and tribal disputes. ISIS might benefit from these divisions, impacting the security in Iraq and US strategy.

⁶ Mina al-Lami, "What happened to IS in 2023?" *BBC*, December 26, 2024, <https://www.bbc.com/news/world-middle-east-67819988> (accessed April 20, 2024).

⁷ Jeff Seldin, "Islamic State Trying to Rise Under the Radar," *VOA*, January 31, 2024, <https://www.voanews.com/a/islamic-state-trying-to-rise-under-the-radar/7465654.html> (accessed April 15, 2024).

⁸ "Iraqi Forces on Alert After ISIS Militants Escape from Syrian Prison," *Asharq Al-awsat*, June 19, 2023, <https://english.aawsat.com/arab-world/4389761-iraqi-forces-alert-after-isis-militants-escape-syrian-prison> (accessed April 15, 2024).

- i. Despite no longer controlling territory as a caliphate, ISIS retains financial networks which support its persistent insurgent capabilities that challenges the Iraqi forces and continues to pose a threat to Iraq's stability.
- j. Although Russia and China's involvement in Iraq is very limited, China's economic initiatives and investments could take advantage of Iraq's need for external investment which could in turn create dependencies which have a bearing on strategic competition.
- k. While in the nascent stages, collaborative counterterrorism efforts with Türkiye to address the threat coming from ISIS and PKK may be helpful to make Iraq a more stable region (even though one could consider Türkiye's counter PKK efforts might undermine the viability of the SDF in the region).
- l. Despite and because of Iranian influence, new bilateral agreements between Iraq and the countries of the US-led coalition should be put in place to ensure Iraq becomes a sovereign, stable, and democratic country, with effective and unified armed forces.
- m. A balanced approach that maintains a limited US presence to support Iraqi security forces and counter-terrorism efforts, while avoiding being drawn into regional conflicts, may be the optimal path forward.
- n. Maintaining sufficient access, basing, and overflight in Iraq, enabling power projection is essential for the US.
- o. The outlook for the country depends mainly on whether the future government will be able to respond to social unrest, resolve its dispute with the Kurds, and find its way between the US and Iran face-off while continuing to prevent the reemergence of ISIS.
- p. The upcoming elections in the US are also important for the US' Iraq policy, as some groups of lawmakers in the US think about weakening ties with the Iraqi government due to Iraq being under the heavy influence of Iran.⁹

8. **Conclusion:**

- a. While Iraq has made some progress since 2003, it continues to face deep-seated political, economic, and security challenges that have prevented the establishment of a stable, democratic system in the last 5 years.
- b. Iraq remains a weak and divided state, with power concentrated among powerful but corrupted elites and armed non-state actors rather than in the legitimate representative central government.
- c. Continuous close US cooperation with the Iraqi government and other regional partners would ensure a stable and secure Iraq, regardless of whether US forces remain or withdraw.
- d. Although Iraq seems to have stronger state institutions, security forces, and nationalist sentiments compared to Lebanon, if Iranian influence continues to increase, Iraq could eventually become like Lebanon.¹⁰

⁹ Avni, Benny, The NY Sun, "Biden Pressed to Cancel White House Visit by Iraqi Premier as a Widened Middle East Conflict Heats Up", Apr 2024, <https://www.nysun.com/article/biden-pressed-to-cancel-white-house-visit-by-iraqi-premier-as-a-widened-middle-east-conflict-heats-up> (accessed May 23, 2024).

¹⁰ *Hezbollah exerts control through its political representation, independent military capabilities that rival the Lebanese state's, and vast parallel governance structures - making it akin to a "state within a state" in Lebanon.*