
Is Iraq Can Survive without America?

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The US-Iran tensions have reflected in Iraq, and this is not only made the future of Iraqi economy unclear but also has become a big geopolitical crisis, and has huge impact on the global markets. Killing of Qasim Soleimani Iran's commander of al-Quds forces by US and Iranian response by attacking US military bases in Iraq, have shaken the global markets. For the first time in the past seven years one ounce of gold reached over \$1600 and oil prices reached over \$70. Although US president Donald Trump's speech have moved away the concerns and this was seen as an indication that is impossible a big war to take place between US and Iran in this region. But future of Iraq's economy will remain in uncertainty, because of the unsolved accumulated problems inside Iraq, and future of the US forces presence and US-Iraq relations is ambiguous.

In the past week Iraqi parliament has passed a non-binding resolution to expel all foreign troops from Iraq, and in response to that president Trump in a tweet has threatened Iraq with sanctions "If they do ask us to leave, if we don't do it in a very friendly basis, we will charge them sanctions like they've never seen before ever." The American officials think that have spent lots of money in Iraq and now if Iraqi parliament forced US troops to leave then all that money was wasted.

And inside US especially democrats have criticized Trump a lot over his order to kill Soleimani. Those believe that such attack on Soleimani and other PMF leaders will cut off America's hand in Iraq and will hand over Iraq to Iran completely. But the question here is Iraq can survive without America? If the events develop in that direction that forces US troops to leave without their will then what will happen?

In the early response if America is patient and not going to punish Iraq, but just by stopping its financial aides Baghdad will face big financial challenges.

After 2003, America and its allies was main assistant to normalize financial and economic condition of Iraq. In 2003 through establishment of the development fund for Iraq (DFI) at New York branch of the Federal Reserve Bank, has returned blocked and seized Iraqi funds from previous regime and preserved Iraq's oil money. As due to the complaints on former Iraqi regime and Iraq had accumulated \$120 billion in debt, there was risk on the Iraqi oil money to be seized if the US treasury department did not protect it. America also played an important role in forgiving Iraq from some of the debts and had reduced owed debts from \$120 to \$40 billion at that time.

Except the oil revenues, all Iraqi trade businesses have done through trade bank of Iraq (TBI) and except this bank the other Iraqi government banks cannot make facilitation for businessmen such others cannot issue letter of credit (LC). What's important is the TBI link to American JP Morgan bank which if US decide to cut its financial relations with Iraq then TBI cannot provide its international trade services.

Another important point is that related to the bonds of Iraqi government, which in the past years Baghdad to get loans have sold them in the global stock markets. And US treasury department has secured Iraqi bonds, therefore interest rates on the loans Iraq had received them through selling these bonds are low.

That means due to US treasury department guarantees Iraq could receive international loans with low interest rates for example now interest rate on the Iraqi loans are %1.5 which without guarantees would have been over %10 bank interest rate to get these loans.

Except the Iraqi government bonds, both the International Monetary Fund (IMF) and World Bank have provided tens of

billion dollars loan to Iraqi government with low interest rates, without US treasury department and White House financial advisors support this will not continue.

Amid these developments, the KRG won't be excluded from bad implications of these events despite that KRG has balanced stand over escalating conflict between US and Iran. KRG is still depending on Baghdad to provide salaries to some of its employees, if Iraqi oil sales fail then this will create risk to the KRG's monthly share from Baghdad's budget. And escalating tensions between US and Iran have worried foreign investors and in this sense Kurdistan region is not so different. Is expected that 2020 will be one of the best years for KRG's oil sector based on what oil companies supposed to produce this year in the Kurdistan region's oil fields. Despite this will increase Kurdistan region's oil production, also will boost Kurdistan region markets. But Iraq's bad condition due to deteriorate its relations with US can delay development of Kurdistan region's oil sector.