

Iraq

Status Index (Democracy: 1.0 / Market economy: 1.9)		2.9	Management Index		1.0
System of government	Autocracy		Population	23.9 mill.	
Voter turnout	-		GDP p. c. (\$, PPP)	2,500	
Women in Parliament	6.4 % (1998)		Unemployment rate	n. a.	
Population growth^a	3.9 %		HDI	0.795 (1999)	
Largest ethnic minority	15-20 %		UN Education Index	0.53 (1999)	
			Gini Index	n. a.	
Data for 2001 – if not indicated otherwise. ^a Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

Although until a few months ago Iraq was a rather unlikely candidate for the Bertelsmann Foundation transformation research project, the regime change in Baghdad has focused public attention on the possibilities and limits of democratic and market economic reforms. This report, however, was largely written before the dramatic fall of Saddam Hussein's regime. Following the project guidelines, it analyzes the period 1998–2003. During that period, Iraq took no real steps toward democracy and a market economy in either the political or economic arenas.

The behavior of the Iraqis who held power in the circle around President Saddam Hussein should be interpreted as the efforts of an authoritarian regime to adapt in the face of enormous domestic and foreign policy challenges following its military defeat in the first Gulf War (1990–1991). Because Iraq's political and economic course during the period under study was essentially shaped by the UN sanctions imposed in 1990 and by the oil-for-food program implemented in 1996, in many respects it must be considered a special case.

A substantial portion of the Iraqi territory, the Kurdish autonomous region, fell outside the control of the central government. Therefore, despite its close economic ties with the country's core, this region is analyzed separately in many of the areas investigated. Information on Iraq is extremely limited; the country's international isolation and the regime's repressive character made social science field research practically impossible. In many aspects addressed, the following analysis relies on reports from a number of informed observers. All numerical data must be taken as cautious estimates.

2. History and characteristics of transformation

In the years of Iraq's monarchy (1921–1958), the limited-representative political system was dominated by large landowners and tribal *shaikhs*, who controlled parliament and rigidly opposed any sharing of power with the broader segments of society. Of the popular and reform-oriented parties, only the Communist Party managed to develop a broad mass base; as a result, army officers increasingly meddled in politics.

Starting with the 1958 coup led by General Abdul Karim Qasim, conspiracies among small groups of army officers became the most important instrument of political change. After the Baath Party, dominated by General Ahmed Hasan al-Bakr and his cousin Saddam Hussein, finally seized power in 1968 an authoritarian system took hold. Mobilizing tribal loyalties and employing massive physical force against its opponents, the regime also exploited the growing patronage power afforded by soaring oil export earnings.

Saddam Hussein used his control of the country's security forces to oust Hasan al-Bakr from the top government post in 1979 and assume sole control of the country's course in his roles as president and chairman of the Revolutionary Command Council (RCC). The nation's power structures, increasingly dominated by members of Saddam's clan (*beijlat*) and even his narrower family circle, proved remarkably resistant to external shocks—chief among them the bloody eight-year war with neighboring Iran (1980–1988), defeat by an international coalition in the 1990–1991 Gulf War and the comprehensive trade embargo imposed by the United Nations, which remains in effect.

Iraq's economy is dominated by the oil sector, which historically has generated more than 95 % of export earnings and more than 60 % of GDP. With the nationalization of the tradition-rich Iraq Petroleum Company (IPC) in 1972 and the sharp rise in oil prices in the following year, the state reaped significant resources that strengthened its patronage power over selected population groups.

A series of reforms completely restructured the agricultural sector, which before 1958 had featured large landholdings. However, the land confiscated by the state was only distributed to new owners very slowly. Here, too, the regime's patronage interests outweighed economic rationality. Over time, declining agricultural productivity forced Iraq to import more and more of its food.

The government had taken over broad segments of the private sector in 1964, but a lack of currency reserves and mounting foreign debt during the war against Iran forced it to initiate substantial deregulation starting in 1987. As various subsectors of agriculture, industry and the service sector were opened to private investors

under the watchful eye of the state, lucrative monopolies went primarily to profiteers close to the regime.

After the 1990 invasion of Kuwait, the United Nations imposed a total embargo that isolated Iraq economically. In November 1996, that embargo was modified under an oil-for-food program that allowed Iraq to export limited quantities of oil, then use most of the revenues to import food, medicine and other essential goods and distribute these to the population via a rationing system. The limits on oil exports were increased several times and lifted entirely in 1999; and, the approval procedure for imports was simplified under UN Resolution 1409 in 2002.

3. Examination of criteria for democracy and market economy

3.1 Democracy

Iraq was not engaged in any political reform process that could have led to the pluralization—much less the democratization—of its political system during the period under study. Saddam Hussein's realignment of the power structure in recent years reflects both a response to the regime's looming isolation and an effort to rotate personnel so that no one individual could build up an independent power base.

3.1.1 Political regime

(1) *Stateness*: Since 1991, the Kurdish autonomous region has developed in the provinces of Dohuk, Arbil and Sulaimaniyya beyond the control of the central government in Baghdad. Since 1996, a de facto partition has divided this region between the *Kurdish Democratic Party* (KDP) led by Mas'ud Barzani and the *Patriotic Union of Kurdistan* (PUK) under Jalal Talabani. Over time, each section has developed independent political structures and, increasingly, features of state identity (e.g., a national anthem and army) that distinguish them from the rest of Iraq.

In the extreme northeast, near the city of Halabja on the border with Iran, a small enclave controlled by a coalition of radical Islamist groups has taken shape. Further limiting Iraq's territorial sovereignty are the no-fly zones imposed in 1991 by the Anglo-American allies in northern and southern Iraq (north of the 36th parallel and south of the 32nd, later the 33rd parallel, respectively).

Ever since Iraq won independence, its search for national identity has been shaped by the interaction between Iraqi and pan-Arab nationalism. The pan-Arabic variety presents problems above all for the Kurdish minority—15 % to 20 % of the population—that looks back on a long tradition of violent uprisings against the

central government in Baghdad. An autonomy agreement negotiated with the Baathist regime in 1970 was never fully implemented.

In addition to the broad Muslim majority, Iraq has a number of small ethnic and linguistic minorities including Turkomans, Armenians and Assyrian Christians. The religious cleavage between Arab Shiites (65 %) and Sunnis (16 %) is intensified by the socioeconomic predominance of the latter, who have traditionally dominated Iraq's political institutions and especially its military.

The provisional constitution of 1970 established Islam as the state religion but guarantees religious freedom for other faiths. Although the Baath Party has its ideological roots in a secular amalgamation of socialism and Arabic nationalism, elements of religious discourse play a growing role in the legitimation of the regime. Thus, students and party members were taught Islamic law (*shari'a*), public funds were made available for the construction and maintenance of mosques, and a broad campaign to promote the teachings of the Koran was launched. There is no separate court system for Islamic law; the civil courts apply its precepts in cases relating to family status, such as divorces and inheritances.

In the 1990s, the regime increasingly promoted the autonomy of tribal structures, seeing tribal support as a means to relieve the burden on its security forces. In many regions, especially in the Shiite-dominated south, tribal militia maintain public order, tribal councils address local problems and tribal customary law has largely superseded national law. In return, the tribes gain political privilege and material advantages.

(2) *Political participation*: Iraq's "democratic" institutions are little more than window-dressing designed to obscure the regime's narrow power base. According to the provisional constitution of 1970, the Revolutionary Command Council (RCC) is the supreme decision-making body with legislative power (Article 36). The Council of Ministers merely carries out the decisions made by the RCC.

In practice, Saddam Hussein—who as president also chairs the RCC—controls the political decision-making process and appoints people to influential positions as he pleases. In doing so, he tends to disregard the official party and bureaucratic hierarchies, relying instead on an informal network of family and tribal ties that Charles Tripp dubbed the "shadow state." Every seven years, the president is "confirmed in office" in a referendum without opposing candidates.

The Parliament established in 1980 has no say at all in political decisions; it serves only to give the RCC's decrees a veneer of democratic legitimacy. The parliamentary elections held regularly in the 1990s guaranteed an absolute majority for the Baath Party alongside a few carefully selected "independents." Local assemblies likewise have no influence at all on political decision-making.

Iraq does not allow freedom of association for social groups. An authoritarian corporatist approach controls the organization of social interests in labor unions or professional associations. On occasion, tribal and kinship connections serve as a resource for mobilization against the state. Massive and prolonged state repression greatly reduced the role of the Shiite clergy as an independent repository of organizational resources and ideology critical of the state.

The media in Iraq are tightly controlled and subject to censorship. All non-governmental media (e.g., the daily newspaper *Babil* and the Youth Association radio and television station) are in the hands of Uday Saddam Hussein, the president's oldest son. Significantly, these media are the most likely to publish somewhat critical reports on diverse problems that the official press ignores. Uday uses his media power to distinguish himself from his brother Qusai as their father's heir and to publicly denounce business competitors he dislikes.

In the Kurdish autonomous regions, parliamentary elections, based on the never-implemented Autonomy Act of 1974, were held in May 1992. The KDP and PUK received almost half the votes and formed a coalition government on a parity basis. However, the role of the regional government was weakened because the all-powerful party leaders Barzani and Talabani were not prepared to assume direct political responsibility, and it fell apart in 1994 after armed conflicts erupted between the party militias.

In the parallel system that has existed since 1996, actual political power lies less in the people's elected representatives than in the hands of the KDP and PUK politburos. Further limiting the regional governments' room to maneuver is the fact that both the parties' and the many international organizations have budgets larger than theirs. Further, highly developed KDP and PUK patronage networks hinder the development of an independent civil society.

However, the "system to system competition" between the two enclaves generates a certain pressure to act in the interest of the population. The two entities held separate local elections in 2002, and the common Parliament met again for a joint sitting in the same year in a symbolic gesture under the pressure of international developments. The autonomous regions have developed a comparatively lively press and media landscape in the Kurdish language.

(3) *Rule of law*: The constitution gives the Revolutionary Command Council the right to enact laws, to issue decrees and to monitor their implementation. By

contrast, the National Assembly has a purely ceremonial function, with no influence on the legislative process. There is no separation of powers; Saddam Hussein, who as president of the Republic also heads the RCC, holds unlimited power.

The judiciary is not independent; rather, it is subordinated to the regime's loyalty and patronage requirements. In addition to the regular court system, special security courts hear cases affecting "national security." The president has unlimited authority to vacate any court judgment.

Since the Baath Party took power, the brutal deeds of the security forces have created an atmosphere of fear underpinning the power of the regime. The regime's human rights violations are legion. Its offenses include mass executions and other extrajudicial executions of actual or supposed dissidents; systematic torture by the security forces; inhumane treatment and punishment in the prisons, as well as mass executions to reduce the number of prisoners; forced relocation of undesirable groups, such as members of the Kurdish and the Shiite populations; denial of due process; and denial of freedom of opinion, association and religion.

Leaders of the Shiite majority are intimidated and many have been murdered. These systematic human rights violations are ignored by the Iraqi judicial system.

Rampant corruption has invaded almost every area of public life as galloping inflation relentlessly erodes the purchasing power of public-sector salaries. Many officials take advantage of their connections to sell scarce products at colossal mark-ups on the black market. However, the regime pursues no systematic approach to combat corruption. Rather, guided by political calculations, it has developed a dual strategy. On the one hand, it attacks corrupt practices, especially in the commercial sector, to prevent individuals from amassing private fortunes independent of its own patronage structures. On the other hand, government officials and members of the Baath Party are bluntly encouraged to participate in illegal smuggling and black market operations.

The human rights situation is considerably better in the Kurdish autonomous regions, although numerous human rights violations are reported there as well. Two parallel court systems operate in KDP and PUK territories; however, judicial independence and the freedoms of religion, press and association are generally observed.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: Because Iraq has no democratic institutions worth mentioning, it seems irrelevant to assess their performance and their acceptance by the population from the standpoint of democratic transformation.

(2) *Political and social integration*: Iraq's political system gives a prominent role to the Arab Socialist Baath Party (ASBP). Under the provisional constitution, the members of the Revolutionary Command Council are drawn from its ranks. In reality, however, the Baath Party has largely lost influence to the circle of power around Saddam and his extended family. It now offers only a minimal ability to mobilize organized support and ideological backing for the regime, although Saddam has tried in recent years to revitalize and rejuvenate its base.

In the parliamentary elections held in 2000, 70 % of the 165 Baath Party candidates were running for the first time. The Baath Party is estimated to have 1.5 million members. A 1991 law theoretically permits the formation of other parties, as long as they have no ethnic or religious character and exhibit "pride" in the revolutions of 1958 (overthrow of the monarchy) and 1968 (final accession to power of the Baath Party). In practice, however, not a single legal opposition party exists, and membership in certain illegal opposition groups is a capital crime.

In theory, the ASBP and the mass organizations connected to it mediate between society and the state, but in practice, they serve the authoritarian corporatist control of society. Thus, for example, there are no independent unions aside from the official umbrella organization, the Iraqi Federation of Workers' Trade Unions. Reliable data on consent to democracy are not available, but it can be assumed that the Kurdish and the Sunni Arab minorities will accept the principle of majority rule only with significant restrictions such as autonomy and federalism.

The difficult economic situation, the decline of the middle class and the regime's re-tribalization policies have brought increasing fragmentation to Iraqi society as a whole. Especially in urban areas, the deterioration of fundamental public institutions (education and health care, among others) has stimulated a significant reorientation toward the "primordial" units of clan and tribe.

Long years of repression by the regime have also largely destroyed the network of Shiite clerics, whose financial strength, which came from the religious contribution system, and ability to mobilize support around religious institutions made them a potentially threatening source of social self-organization. The level of civic trust or social capital among the Iraqi population must therefore be estimated as fairly low.

In the two Kurdish autonomous enclaves, there are a number of smaller parties, and social and cultural groupings with an Islamist, communist or ethnic slant in addition to the two large parties. Both the KDP and the PUK have restricted the activity of certain of these groups, pointing to security concerns, but have tolerated the existence of others as long as they posed no threat to their dominant position. The only potential opposition party to be taken seriously is the Islamic League, which won about 20 % of the vote in each enclave in the most recent local elections. Neither the KDP nor the PUK allows the respective rival movement to operate in its territory.

3.2 Market economy

Under current conditions, the international isolation of the Iraqi economy and the regime's need for control make any transformation toward a market economy unlikely. The sanctions in force since 1990 have cut Iraq off from its trade relationships, caused a general decline in economic activity and triggered rampant inflation. The state, as the sole exporter, has gained strength in comparison to a weak private sector, while the middle class, apart from a small group that profited from the sanctions, has all but disappeared.

3.2.1 Level of socioeconomic development

Through continuous investments during the two decades before 1990, Iraq had reached a relatively high level of development and created a relatively effective education and health care system. But after 1990, the considerable ravages of war and economic sanctions caused the Iraqi population's standard of living to plummet, and only the introduction of the oil-for-food program in December 1996 broke the fall.

In 1990, Iraq still held 50th place on the Human Development Index, but it had fallen to 126th place by 2000. Almost 60 % of the Iraqi population depends entirely on food rations for sustenance. Reports issued by international organizations in the 1990s tell of widespread undernourishment, inadequate health care and frequent power blackouts, especially in the south. The Baath Party, which controls the distribution of food and ration cards under the oil-for-food program, abuses the system as an instrument of surveillance and punishment, thus rendering the majority of the population that subsists on food rations even more dependent on the state.

Broad swaths of the urban middle class, most of which depends directly or indirectly on the public sector, were driven to ruin by the hyperinflation of the 1990s and the general decline of economic activity. This creates a standoff between the increasingly impoverished majority of middle- and lower-level state

employees, tradesmen and soldiers, and a small group of nouveau riche profiteers who are high-level officials, businesspeople and big farmers.

Exacerbating this exclusion of the vast majority in favor of the few is the regime's practice of regional discrimination, especially against the primarily Shiite provinces of the south, where many villages have neither electricity nor running water. The small group of loyalists to the regime disproportionately includes members of the president's extended family as well as members of a few Sunni tribes of northwestern Iraq.

In the traditionally neglected provinces of the Kurdish autonomous zone, economic conditions have improved remarkably since the mid-1990s. The oil-for-food program guarantees these three provinces a fixed (13 %) share of Iraq's oil export earnings, based on their share of the country's population. The UN manages the distribution of these resources in the autonomous regions, obviously ensuring a more efficient and just investment of these funds.

In addition, their geographic location has made the autonomous regions a hub for the trade or smuggling of crude oil, especially between Iraq and Turkey. Like Iraqi society at large, the Kurdish regions have demonstrated increasing social disparity. Despite the growing significance of Kurdish symbols of sovereignty, the autonomous regions remain economically enmeshed within the central government's sphere of power.

3.2.2 Market structures and competition

The dominance of the oil sector and the Baath Party's state-centered development ideology make the state the dominant actor in the Iraqi economy. Although private enterprises have become more important since the deregulation of the late 1980s, they depend on the state bureaucracy in many respects. There is very little true competition because the state licensing system operates as a nontransparent tool for political patronage, handing out monopolies to individuals with close ties to the regime. The trade embargo helped resourceful profiteers with good connections to the authorities to amass wealth rapidly. In particular, Saddam's older son Uday is said to have wide-ranging business interests based on lucrative monopolies.

Legal foreign trade is restricted to the UN oil-for-food program and subject only to minimal market mechanisms; occasionally, for example, the UN Security Council sanctions committee has set the price per barrel retroactively. Iraq selects its major trade partners according to political criteria. This has particularly benefited France and Russia as permanent members of the Security Council, but increasingly Arab nations such as Egypt and Jordan as well. The political

rationale is especially evident for the latter, because many contracts dealt merely with re-exports—that is, trade in already imported goods.

Parallel to the UN system, substantial, formally illegal trade with neighboring countries has developed, especially in oil and diesel fuel, with an estimated value of \$2.5 billion to \$3 billion per year. Since early 2001 Iraq has signed no fewer than 11 free-trade agreements with Arab nations, and several more are under negotiation. These agreements serve to strengthen the Iraqi position in the Arab world and to support pan-Arabic ambitions, as well as to prove that the days of the sanctions regime are numbered. Time will tell whether they are actually implemented once the sanctions are lifted.

Oil smuggling plays a central role in the Kurdish autonomous regions, which have no oil deposits of their own. This applies especially in the territory controlled by the KDP, which also collects transit fees for the use of the oil pipeline to the Turkish port of Ceyhan.

The Iraqi government controls all financial transactions. In addition to the large state banks (Al-Rafidain and Al-Rashid), smaller private institutions also operate, though under the circumstances their activities are limited to the domestic sector. The central bank is not independent. A stock exchange has existed formally in Baghdad since 1992, but a true capital market has not followed.

3.2.3 Stability of currency and prices

The government's currency policy triggered rampant inflation; as a result, the actual exchange rate of the Iraqi dinar to the dollar dropped from 8:1 in 1991 to 3,000:1 in 2002, although with wide fluctuations. However, the official exchange rate has been frozen at 0.3 dinar per dollar since 1982. The tentative and inconsistent attempts by the Iraqi government and the central bank to control inflation failed. Various foreign currencies are used in the Kurdish autonomous regions, along with an older version of the Iraqi dinar, known as the Swiss dinar, which is much more stable than the new currency used in other regions and currently trades around 12 dinar to the dollar.

Monetary integration will present a challenge for any future reintegration of the Kurdish provinces. During the eight-year war with Iran in the 1980s, Iraq amassed an enormous mountain of debt—more than \$100 billion according to (sometimes widely varying) estimates. In addition, Iraq could still be liable for more than \$200 billion in reparation demands resulting from its occupation of Kuwait.

3.2.4 Private property

The provisional constitution of 1970 proclaimed the creation of a socialist system based on “scientific and revolutionary principles” and classifies the ownership of property as “a social function that shall be exercised within the limits of society’s aims and the state’s programs.” Nevertheless, the constitution also guarantees private ownership and individual economic freedom—at least in theory. In practice, property ownership is not safeguarded under the rule of law. The absence of an independent court system and the arbitrary use of violence further subjugate the private sector to the regime’s control.

Iraq’s key economic sectors (insurance, banking, and large industrial and commercial enterprises) have been nationalized since 1964. Like many “socialist” Arab states, it does have a private sector of small and medium-sized businesses. In times of economic crisis, especially during the war with Iran in the 1980s, the regime has attempted to strengthen the private sector. Similar initiatives reported just recently include the partial re-privatization of agriculture and the distribution of land suitable for development in order to promote the domestic construction sector. In the Kurdish autonomous regions, the relative prosperity of recent years has increased demand for consumer goods and contributed to the development of a small entrepreneurial class.

3.2.5 Welfare regime

The embargo and the associated curtailment of economic activity, along with inflation, have posed insurmountable challenges to Iraq’s social networks. With an estimated average income of \$3 to \$6 a month, many Iraqis are forced to take on second or even third jobs. It is suspected that half of the Iraqi workforce is unemployed or underemployed.

For many Iraqis, inadequate support from the state has led to a growing dependence on family and tribal solidarity; this in turn has reinforced the effect of the regime’s tribalization policies. The health care system, considered exemplary in the 1980s, cannot provide comprehensive care because of the shortage of medical supplies, lack of investments and the emigration of qualified personnel.

In 1990 more than 1,800 health centers for primary care were in operation, reaching 97 % of the urban population and 78 % of the rural population, but only 929 remained in 2002. In the Kurdish autonomous regions, non-governmental aid organizations play a prominent role in the system that has evolved, often replacing state services (though they are often tied to the major parties). Islamist welfare organizations are also active in many areas.

The advancement of the status of women in public life corresponds to the “socialist” Baath ideology and has helped at least a small female educated elite to

prominent positions. However, the rate of unemployment is significantly higher among women than among men. Under Iraq's authoritarian, corporatist system, women are represented by the General Union of Iraqi Women, which has 1.2 million members. The 1978 reform of the civil status laws improved the legal status of women, but discrimination remains. For example, women cannot travel outside the country unless accompanied by a male relative or an older female family member. Since the 1990s, conservative tribal and religious tendencies within the state and society at large have increasingly restricted the rights of women.

A 1990 law exempts from punishment the tribal practice of killing women who engage in illegal relationships; rapes by members of rival tribes have also been reported. The security forces routinely rape relatives of dissidents as a form of punishment. In the Kurdish autonomous regions, both the KDP and the PUK seek to advance the public role of women by appointments to prominent public office; thus, the KDP government includes one female minister (Nasrin Barwari), while the PUK named several women as judges—a first in the Iraqi judicial system. In Kurdish society as well, the growing influence of Islam has affected the position of women.

3.2.6 Strength of the economy

Because of its undiversified export structure, Iraq's macroeconomic development is heavily dependent on the oil market. According to estimates, the country's GDP—starting from a low baseline—increased by more than 10 % per year in 1999 and 2000, chiefly because of increasing exports under the oil-for-food program. Falling oil prices and the weaker world economic situation in 2001 and 2002 led to a real decline in GDP. Once the sanctions are lifted, considerable investment in the Iraqi oil industry will be essential to financing the necessary development of the country's infrastructure in all areas.

3.2.7 Sustainability

Environmental standards play a subordinate role both in the policies of the Iraqi government and in society's awareness. Increasing pollution of the Tigris and Euphrates rivers and their tributaries, as well as the salinization and erosion of agricultural land already represent significant ecological burdens. Starting in the mid-1990s, the government launched an environmental catastrophe of colossal proportions by draining the marshes and wetlands at Nasiriyya in the southern part of the country. The regime deliberately destroyed a unique natural biotope as well as an ancient civilization (the Marsh Arabs) in order to deprive deserters and insurgents a refuge in this difficult to access area.

The prolonged economic crisis considerably weakened Iraq's education system. A survey in 2000 found that 23.7 % of children of school age do not attend school regularly; for girls, the figure rose to 32.2 %. Given Iraq's dire economic straits, many parents consider education of secondary importance, especially as the decline of the public sector has compelled many college graduates to work as taxi drivers or hotel staff.

Because of their low salaries, teachers often have a second or third job or don't show up to teach at all. To shore up their incomes, many teachers force their students to pay for private lessons. Faced with personnel shortages, many schools hold classes in several shifts. Furthermore, most school buildings are dilapidated, with no electricity and inadequate sanitary facilities. Targeted government campaigns had increased the population's literacy rate in the 1970s and 1980s, but it has dropped again since the mid-1980s, especially among women. In higher education, the country's total isolation naturally hinders both research and teaching.

4. Trend

(1) *Democracy*: Iraq's state integrity has certainly not been strengthened by the proliferation of symbolic sovereignty in the Kurdish autonomous regions. But all the relevant Kurdish politicians—not least under pressure from neighboring Turkey and the international community—have spoken out in favor of Kurdistan remaining within a federally organized Iraq. Participation and rule of law have gained no ground at all. In the parliamentary elections of 2000, in addition to 160 representatives of the ruling Baath Party, 60 carefully selected “independents” were elected; the 30 representatives of the Kurdish autonomous provinces were appointed directly by the president. Saddam's son Uday had himself elected as a “representative of the people” so that he could use the National Assembly as a platform for his political ambitions.

The de facto irrelevance of the legislature as a tool controlled by the regime was vividly brought home to the international community yet again in 2002 when the National Assembly recommended the *rejection* of UN Resolution 1441, only to support Saddam's decision to the contrary a few hours later. In the referendum on Saddam's presidency held early in 2003, 100 % of voters—possibly a record—voted in his favor.

Discussions with selected opposition groups launched by the regime remained nothing but window-dressing. The government's practice of doing away with problematic Shiite clerics by targeted assassinations continued seamlessly with the murder of Grand Ayatollah Muhammad Sadiq al-Sadr. A general amnesty announced by the regime led Iraqis to storm Baghdad's notorious Abu Ghraib prison, setting hundreds of prisoners free. According to human rights

organizations, however, many political prisoners remained in other prisons. Family members searching for missing relatives launched a spontaneous demonstration outside the Ministry of the Interior in Baghdad, but this had no lasting effect on the stability of the regime.

In the Kurdish autonomous regions, the PUK held regional elections in February 2000; the KDP followed suit in May of the same year. International observers rated the first elections in the autonomous regions since 1992 as generally fair.

(2) *Market economy*: The structural foundations of a national economy concentrated in the oil sector remained intact during the period under study. Iraq's GDP depends heavily on its oil output and the price of oil on the world market. As a result of Iraq's unilateral suspension of production, conflicts over price levels and the uncertain political situation, the country's oil exports have dropped from an average of 2 million barrels per day in 2000 to sometimes less than 1 million barrels per day. The ensuing loss of revenue meant that import contracts already signed could not be executed.

The illegal export of oil increased sharply when the pipeline to Syria was reopened in November 2000. Because of the oil-for-food program and increasingly targeted aid from international organizations, the humanitarian situation stabilized and in many respects improved. The nutritional value of food rations almost doubled and medical care saw sustained improvement. A study coordinated by UNICEF in 2002 showed that acute undernourishment among children less than five years old had dropped by more than half since 1996, while chronic undernourishment as a whole fell by more than 30 %. The researchers attributed this gain to the work of aid organizations on site, improved infrastructure and modifications to the oil-for-food program.

Bolstered by support from aid organizations and favorable climatic conditions, agricultural production has doubled in various sectors. For the Kurdish autonomous regions, the end of armed conflict brought a phase of relative prosperity during the period under study. The fixed share of the oil-for-food program allotted to the Kurdish provinces improved the humanitarian situation and significantly reduced tensions between the KDP and the PUK over the territorial control of lucrative trade routes. However, the limited nature of existing trade, the close entanglement with the Iraqi economy and the patronage interests of the dominant parties make further progress toward a market economy unlikely under the circumstances.

5. Transformation management

5.1 Level of difficulty

The originating conditions for transformation to democracy and a market economy in Iraq can be described as difficult at best. As the governing system became increasingly tribalized beginning with the Arif brothers in the 1960s, ethnic and religious conflicts intensified and increasingly overlapped with socioeconomic differences. The UN-imposed sanctions have made Iraq's economy even more exclusively dependent on oil exports as the sole source of foreign exchange income. The economy's rent-seeking structure strengthens the authoritarian state and hampers the development of autonomous social groups.

If social representation and public accountability are to be achieved, oil revenues must be divided among several power centers. Furthermore, Iraq lacks any history of democratic traditions; apart from a few tentative approaches during the monarchy, the political landscape has featured increasing repression and a very high propensity for violence.

Iraq's level of development, once high among middle-income countries, has fallen rapidly since the early 1990s though hardly any reliable data are available. Once sanctions are lifted, however, the country's oil wealth could contribute to positive development with appropriate international investments.

5.2 Reliable pursuit of goals

The Iraqi government does not pursue any policies directed at democratic or market-economic transformation. First and foremost, the political actors are striving to maintain the system under very difficult conditions. Apart from rewarding total solidarity with the regime, the government gives members of society no confidence that their expectations will be fulfilled. The arbitrariness of the security apparatus and judicial system, and the ever-present threat of violence have created a climate of fear and resignation. In the Kurdish autonomous regions, by contrast, armed conflicts have given way to a modicum of stability allowing social and economic activities to unfold. Although improvements can be noted in many areas, a consistent and coherent policy of reform is nowhere in sight.

5.3 Effective use of resources

From the perspective of transformation research, the government's use of resources is not very efficient. If the goal is understood to be the survival of the regime rather than reform, then the government's use of resources is certainly

efficient, to a degree. Iraq's oil wealth provides adequate resources, but these flow primarily to Saddam's innermost circle, to the security forces and to the social and tribal groups that support the regime—probably no more than 500,000 to 1 million Iraqis.

In the past, the regime squandered considerable resources on weapons systems and on official buildings (not just Saddam's legendary palaces). Corruption is widespread, both as an integral component of the informal government system and as an individual response to the dire economic situation, especially in the public sector. The regime draws selectively on cultural heritage: it relies on Islam when ideological legitimacy and material resources fall short, or uses the conflict with the British mandate powers (1920–1958) to justify domestic repression and “anti-imperialist” ambitions.

In the Kurdish autonomous regions, where two separate territories have evolved, the duplication of almost all relevant authorities ties up scarce resources, though in some respects the open competition between the dominant parties also promotes efficiency. Close cooperation with the UN authorities and targeted training programs have significantly increased the professionalism of the Kurdish civil service from its low initial level. Both the KDB and the PUK define their identities in terms of their role in the Kurdish national movement and their links to tribal and regional or linguistic identities; by contrast, ideological differences between the two groups have lost much of their importance.

5.4 Governance capability

With preserving the regime as their top priority, Iraq's ruling elite in the past proved quite capable of learning. Thus, the tribalization policy of the 1990s—which runs counter to every one of the Baath Party's ideological pillars—can be understood as a strategic response to the weakening of the army in the 1990 Gulf War and the party's failure to maintain order during the popular uprising in 1991. After each crisis Saddam has carefully realigned his innermost circle of power; for example in the mid-1990s, when inter-clan conflict threatened the stability of the system (e.g., the flight of the brothers Hussein and Saddam Kamil al-Majid to Jordan in 1995 and the 1996 assassination attempt on Uday).

However, this reshuffling has stopped short of challenging the interests of the regime's primary sponsors such as the security forces. While Saddam has nearly perfected the art of retaining domestic power by carefully meting out incentives and threats, he repeatedly lapsed into flawed decisions with serious consequences in the international arena, namely with the invasion of Iran in 1980 and the occupation of Kuwait in 1990.

Misallocation of economic resources is inherent in the system and contributes to the survival of the regime. Opposition groups calling for genuine political and economic reforms exist only in exile. The two Kurdish parties must implement their limited reform agenda in a very uncertain setting. Their organizational capability is limited by the scant political and financial influence of the two regional governments, and here too, the patronage networks of the party apparatus and security forces consume a substantial share of available resources.

5.5 Consensus-building

There are no relevant actors who seek to build democracy and a market economy. The regime has gained the loyalty of important subgroups through selective incentives and exacerbated existing social conflict through massive repression. The consensus among various social groups must therefore be estimated as low—a situation that could explode in a turbulent transformation process. Thus, any intended transformation must give top priority to maintaining public order while ensuring political representation for all relevant groups.

Iraq has taken no steps toward addressing the regime's misdeeds politically or legally, but the brutality of the repression and the high number of victims will make this a central issue following a regime change. The deep rivalry between the two large Kurdish parties led to civil war and the partition of the autonomous regions. In a transformation process, not only the relationship between the central government and the autonomous provinces but also the *modus vivendi* between the two Kurdish actors would have to be renegotiated.

Because of the horrifying crimes perpetrated by the regime against the Kurdish population in the late 1980s, the integration of the Kurdish minority will assume crucial importance after a regime change.

5.6 International cooperation

Ever since the United Nations imposed sanctions in 1990, Iraq has been internationally isolated. Regionally as well as internationally, after two offensive wars within a decade (against Iran in 1980 and against Kuwait in 1990) the regime is considered aggressive and unpredictable. Iraq has nonetheless tried, with growing success, to break out of its isolation and gradually soften the terms of the sanctions. An important instrument for this lies in the oil-for-food program, which permits Iraq to select trade partners according to political criteria.

In addition, Iraq has successfully sought to exploit the increasing unpopularity of the embargo among the people of many Arab states by engaging in pan-Arabic rhetoric and making gestures toward the Palestinians that play well in the media.

A number of UN organizations (e.g., UNICEF, UNDP, WFO) and other NGOs are active in Iraq and cooperate with various Iraqi authorities on a humanitarian basis. But many NGOs left the regions of Iraq controlled by the central government in 1992 because it imposed restrictive controls on their operations. Furthermore, fundamental political or economic reforms play no role in this cooperation.

By contrast, numerous international NGOs are active in the Kurdish autonomous regions, where they play an important role in the relatively rapid development of this historically backward region. Many of the local partner organizations are directly or indirectly controlled by the KDP or the PUK. In the Kurdish provinces and to a lesser extent elsewhere in Iraq, the political leaders responsible for state welfare services and for their financing have shifted a significant share of this responsibility to international organizations.

6. Overall evaluation

(1) *Originating conditions*: In regard to a transformation to democracy and a market economy, the starting conditions can be termed very difficult. The central government's sphere of influence was restricted during the period under study by the autonomy of the Kurdish regions. The state's dominance—though diminished by the sanctions and the deregulation of the 1980s—thwarted the development of independent social actors.

Under the combined effects of war and economic crisis, the once-strong middle class has sunk into poverty or fled into exile. The absence of a democratic political culture was exacerbated by long years of bloody suppression of any domestic opposition.

(2) *Current status and evolution*: In regard to democratic transformation, no significant ground was gained. The elections conducted during the period were controlled, with no opposition candidates allowed. The security forces' persecution of actual or suspected critics of the regime was unbridled. The sole noteworthy development was the unprecedented opening of a number of prisons in January 2003, though its effect on the security forces' iron grip and the regime's stability remains unknown.

In the Kurdish autonomous regions, the cease-fire between the party militias held, paving the way for the consolidation of two parallel communities with limited political and social pluralism. Real transformation to a market economy must also be considered unrealistic, given the originating conditions already discussed in depth. The significant improvement in the humanitarian situation in Iraq's central and southern regions can be seen as a fundamentally positive development.

(3) *Management*: Given preservation of the system as a goal, and in light of the extremely difficult external and internal conditions prevailing since the early 1990s, the regime's survival in the years since 1991 represents a remarkable achievement. The circle of power around Saddam utilized its ability to learn and its relative flexibility, bolstered by its willingness to wield almost unlimited force, to maintain the stability of the system throughout most of the country.

In view of Iraq's potential, however, the profound economic and social crisis afflicting Iraqi society must be blamed on the regime's cumulative missteps. Many aspects of the restoration of recent years, such as the disappearance of the middle class, tribalization, and religious discourse, could prove a heavy burden for the future.

7. Outlook

The invasion by the Anglo-American coalition ousted Saddam Hussein along with his ruling clique and extended family. Representatives of the American administration, in particular, have expressed hopes for the immediate creation of a democratic system that could stand as a regional model and trigger the spread of democracy throughout the Arab world, one country after another. These hopes should be viewed with extreme caution. As this report has made clear, a number of structural factors make the rapid introduction of democracy in Iraq appear a rather unrealistic goal.

This does not mean, however, that it would be impossible to create a more representative system than that under Saddam. The autonomy manifested in the Kurdish provinces for more than a decade has created a number of structures that will be difficult to reverse even in a new political order. Cultural autonomy, for example, conveyed through the educational system and the media landscape, has taken firm root. The coordinates of a new political system will depend to a considerable extent on the course of the war and the management of the immediate postwar period.

Given that 60 % of the Iraqi population depends on the central government's food rations for survival, swift humanitarian aid must be deployed to minimize the suffering of the civilian population. The new order must be legitimized by the inclusion of the United Nations, the early transfer of civil administration to Iraqi control, and the participation of all relevant groups in drafting a new constitution.

The rapid reconstruction of the country's infrastructure will require renegotiation of Iraq's debt burden as well as existing reparation demands. Over the long term, the primary goal should be to create various power centers in a decentralized or federal system by distributing the country's oil export earnings according to a constitutionally guaranteed formula. This would both limit the power of the

central government and preserve the relative autonomy of the Kurdish provinces. The distribution of oil-for-food revenues according to a fixed system offers a valuable precedent.

Ultimately, however, the establishment of a stable representative order in Iraq will succeed only if it is embedded in the regional setting.