



Immunizing Iraq Against al-Qaeda 3.0

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Abstract: Iraq still faces the same economic challenges that contributed to the rise of al-Qaeda and the Islamic State. And unless these challenges are resolved, the likelihood of future political stability is low. The extremely high level of unemployment and underemployment among Iraq's youth, combined with massive corruption, is contributing to widespread poverty and radicalization. The Iraqi government's efforts to deal with these challenges are hamstrung by the expectation that current low oil prices will continue for a decade or more. These obstacles will constrain state-led development efforts severely. Iraq needs to execute successfully anti-corruption and pro-youth employment strategies that draw on the experience of other states, but are crafted to meet Iraq's unique conditions.

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The defeat of ISIS (al-Qaeda 2.0) at Mosul, Iraq and the insurgent group's loss of its "capital" of Raqqa, Syria in October 2017 has led many to wonder what will follow. Similar to the situation after the defeat of al-Qaeda in 2007, Iraq has returned to an uneasy peace. Violent civilian deaths, in this nation of 39 million persons, have fallen steadily from about 20,000 in 2014 to about 13,000 in 2017. And the favorable trend appears to be continuing in 2018. During the first three

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months of 2018, 1,263 civilians died violent deaths, almost 70% fewer than in the same period of 2017.¹

Politically, the national elections of May 12 were sharply contested—a rarity in the region—although the election turnout was the lowest since the fall of Saddam. While it will take time for a final count, Muqtada al Sadr’s Alliance of Revolutionaries for Reform (Sa’irun) appears to have won a plurality, although not a majority, of the 329 seats in the Council of Representatives at the time of writing. He campaigned on fighting corruption domestically and opposing both Iranian and American influence internationally. Since Muqtada al Sadr did not run for a seat, he is ineligible under the current interpretation of the Constitution to become Prime Minister. However, since he controls the largest number of seats, he will probably have the deciding voice on whether the current Prime Minister, Haider al Abadi—whose Victory Alliance came in third—serves another term. While the complex negotiations to form the next government may take months, it is unlikely that the second-place vote getters—Hadi al Amiri’s Fatah Alliance—will have a major role in the next government because of its close association with Iran. The new government will have some good economic news since First Quarter 2018 oil prices are above estimates and there are other faint signs of recovery.

But, unless the country can meet its biggest challenge, peace in Iraq will be short lived. There were political, diplomatic, and military mistakes that led to the rise of ISIS—al-Qaeda 2.0—in 2013.² But even if these mistakes can be avoided, failure to deal with the problem of rapidly growing youth unemployment and underemployment will create a fertile environment for the rise of al-Qaeda 3.0.

Iraq is a young country; the median age is 20 years old. And while there is little recent reliable data on employment in Iraq, an estimated 80% of young male Iraqis of working age are unemployed or underemployed.³ And the number of unemployed is growing rapidly. Every year, almost 900,000 Iraqis become old enough to seek employment. Even after adjusting for retirements and the extremely low labor force participation by women—about 19%—the Iraq economy must create about 340,000 new jobs each year simply to keep the number of unemployed and underemployed from growing.

One major cause of the rise in youth unemployment and underemployment was the reduction in public sector employment brought about by the 2014 collapse in oil prices.⁴ Oil exports account for over 90% of Iraq’s total exports and government revenue. As shown in Figure 1, the volume of oil production and exports has increased steadily since 2005. However, the recent collapse in oil prices has more than offset the increase in export volume resulting in a 30% drop in the

¹ “Database,” Iraqbodycount, accessed April 14, 2018, www.iraqbodycount.org.

² Frank R. Gunter, “Once Fooled in Iraq,” *US News and World Report*, July 27, 2016, <https://www.usnews.com/opinion/articles/2016-07-27/next-president-cannot-repeat-obamas-mistake-in-iraq-with-the-islamic-state>.

³ Council of Statistics, “Unemployment,” (Government of Iraq, Iraq, 2009), Table 5.27.

⁴ “OPEC Basket Price,” *OPEC*, 2018, http://www.opec.org/opec_web/en/data_graphs/40.htm.

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