

# IRAQ

Iraq is not ranked in the 2022 *Index* because of the continuing lack of reliable data. Insurgent groups and Iran-backed militias seriously threaten the rule of law in many areas, and the risk to law-abiding citizens making investment and economic decisions is considerable. Overall political instability continues. The outlook is uncertain and depends on whether a new government can reduce social unrest, curb Iran-backed militias, and prevent a resurgence of influence by the Islamic State in 2022.

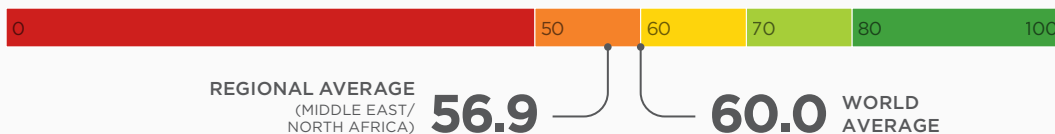
To establish the basis for economic freedom, the government needs to rein in spending, curb corruption, improve fiscal management, and strengthen the financial sector. The key to Iraq's long-term economic development will be a strengthened investment climate to bolster private-sector engagement, which will require an improved security environment and restoration of the rule of law.

**IMPACT OF COVID-19:** As of December 1, 2021, 23,844 deaths had been attributed to the pandemic in Iraq, and the government's response to the crisis ranked 111th among the countries included in this *Index* in terms of its stringency. The economy contracted by 10.9 percent in 2020.

WORLD RANK: N/A REGIONAL RANK: N/A  
ECONOMIC FREEDOM STATUS: NOT GRADED

## ECONOMIC FREEDOM SCORE

N/A



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): N/A

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
40.2 million

**GDP (PPP):**  
\$401.4 billion  
-10.9% growth in 2020  
5-year compound annual growth 1.2%  
\$10,003 per capita

**UNEMPLOYMENT:**  
13.7%

**INFLATION (CPI):**  
0.6%

**FDI INFLOW:**  
-\$2,896.0 million

**PUBLIC DEBT:**  
81.2% of GDP

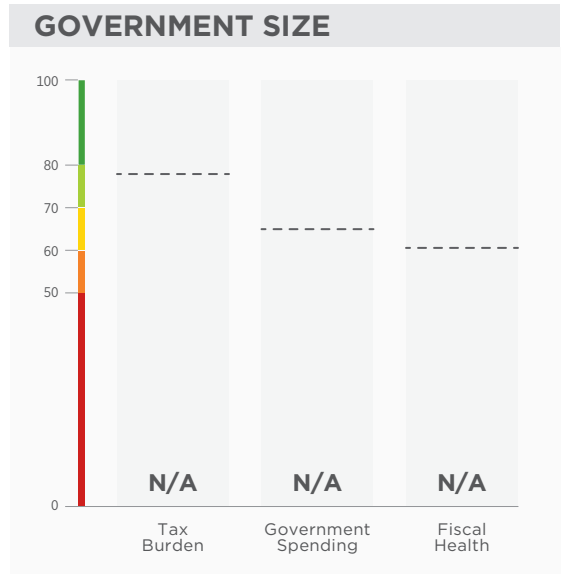
2020 data unless otherwise noted. Data compiled as of September 2021

**BACKGROUND:** Iraq is slowly recovering from the traumatic war against the Islamic State, which seized significant amounts of territory in western Iraq in 2014 and continues to pose a terrorist threat. Antigovernment protests led to the resignation of Prime Minister Adil Abdul-Mahdi and the appointment of Mustafa al-Kadhimi as the new prime minister in 2020. Although early elections were promised, the next election is scheduled for 2022. Iraq's state-dominated economy is led by the oil sector, which provides approximately 85 percent of government revenue. The war against the Islamic State imposed a high cost on the economy, which also has been hurt by rampant corruption, sluggish oil prices, and war-related damage to infrastructure.

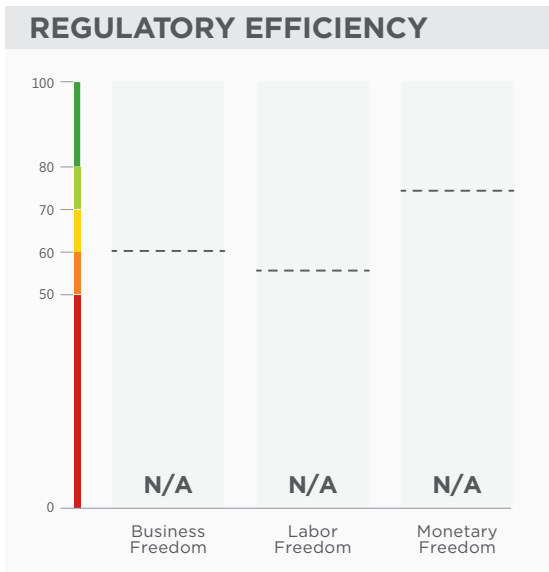
# 12 ECONOMIC FREEDOMS | IRAQ



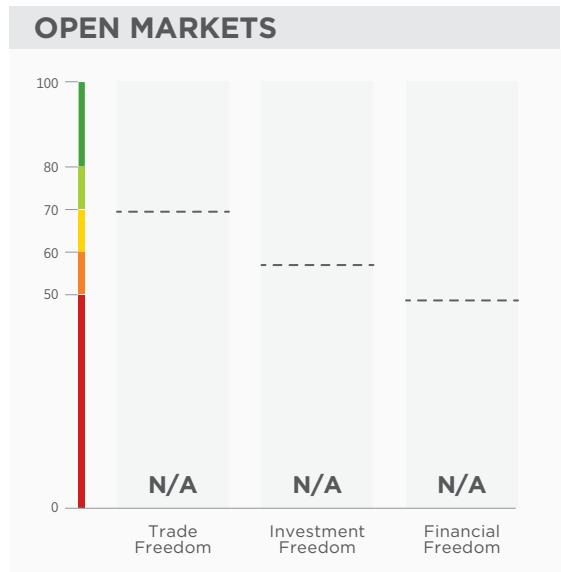
Real property is recognized, and mortgages and liens can be recorded, but enforcement of property rights and contracts is severely weakened by unclear regulations, lack of decision-making authority, and rampant corruption. The politicized and corrupt judiciary is enfeebled by constant executive interference, tribal and religious forces, and bureaucratic bottlenecks. Bribery, money laundering, nepotism, and misappropriation of public funds are common.



The top individual income tax rate is 15 percent, and the top corporate tax rate is 35 percent. The overall tax burden equals 1.4 percent of total domestic income. Government spending has amounted to over 40 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.6 percent of GDP. Public debt is equivalent to 81.2 percent of GDP.



Iraq's cabinet has proposed several business-friendly reforms in a white paper, but whether these reforms will be implemented successfully is unclear. The labor force is large and unskilled, and there is a dearth of skilled labor. Heavily subsidized and inefficient state-owned enterprises and costly and poorly targeted fuel and electricity subsidies are unsustainable in the long run.



Iraq is not a member of the World Trade Organization. Security challenges and institutional shortcomings continue to deter foreign trade and investment. Numerous state-owned enterprises distort the economy. Iraq's cash-based economy lacks the infrastructure of a fully functioning financial system. Despite some progress, the banking regulation frameworks have not been strengthened enough to deepen financial intermediation.