

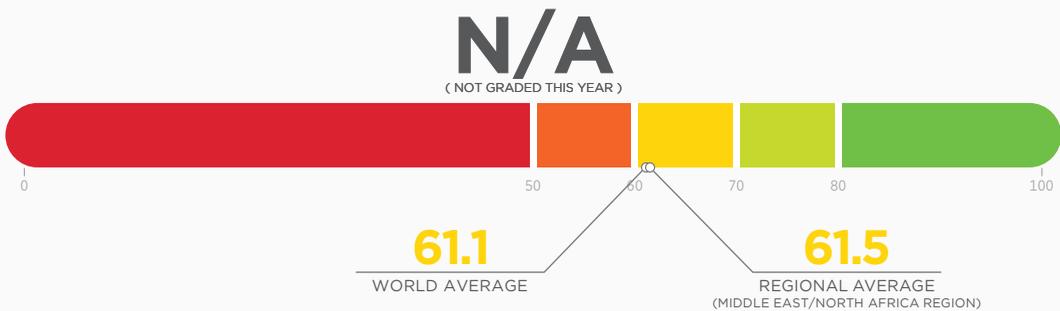
IRAQ

Iraq is not ranked in the 2018 *Index* because of the lack of reliable relevant data. The security situation has improved somewhat as Iraqi Security Forces, aided by U.S.-supported anti-ISIS coalition forces, have made gains against the ongoing insurgency. The Islamic State's capital in Raqqa, Syria, was retaken, and U.S.-backed Iraqi forces ousted ISIS from Mosul in Iraq.

Iraq's economy enjoyed robust growth of more than 10 percent in 2016 because of higher oil prices and greater financial stability. The government's priorities are to rein in fiscal spending, curb corruption, improve fiscal management, and strengthen the financial sector. Combating corruption and reducing government spending will be politically challenging; civil service positions are used to reward loyal political allies. Diversification, key to Iraq's long-term economic development, will require a strengthened investment climate to bolster private-sector engagement, which in turn will require improving the security environment and restoring the rule of law.

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

ECONOMIC FREEDOM SCORE

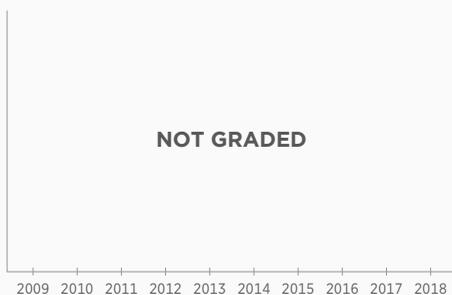


NOTABLE SUCCESSES:
 n/a

CONCERNS:
 n/a

OVERALL SCORE CHANGE SINCE 2014:
 n/a

FREEDOM TREND



QUICK FACTS

POPULATION:
 36.1 million

GDP (PPP):
 \$647.2 billion
 10.1% growth in 2016
 5-year compound annual growth 7.4%
 \$17,944 per capita

UNEMPLOYMENT:
 16.0%

INFLATION (CPI):
 0.4%

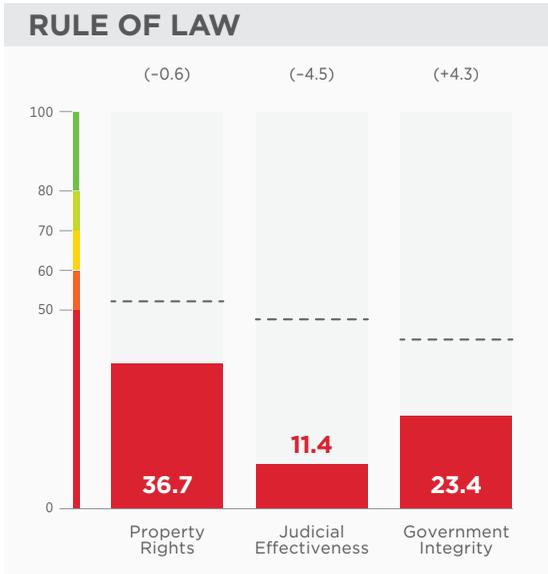
FDI INFLOW:
 -\$5,911.2 million

PUBLIC DEBT:
 63.7% of GDP

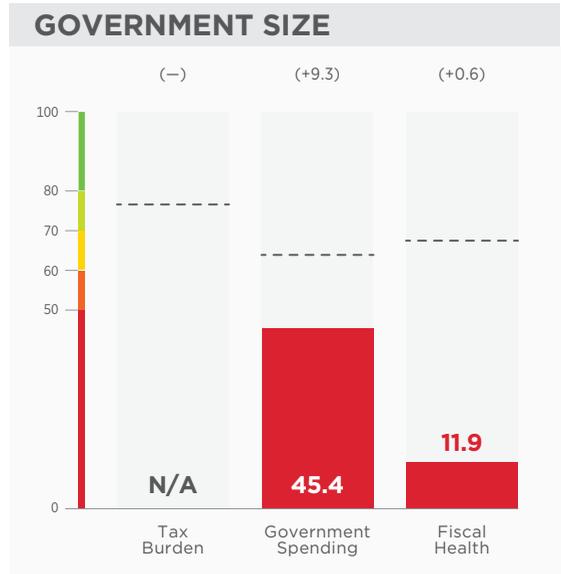
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Prime Minister Nuri al-Maliki's party won the largest number of seats in the 2014 parliamentary elections, but his heavy-handed sectarian agenda alienated Sunni Arabs and Kurds. He stepped down in August 2014 and was succeeded by Haider al-Abadi. Iraq's largely state-run economy is dominated by the oil sector, which provides more than 90 percent of government revenue. The war against the Islamic State has imposed a high cost on the economy, and Baghdad will have to shoulder the additional costs of reconstructing the war-damaged infrastructure of Mosul and other liberated areas.

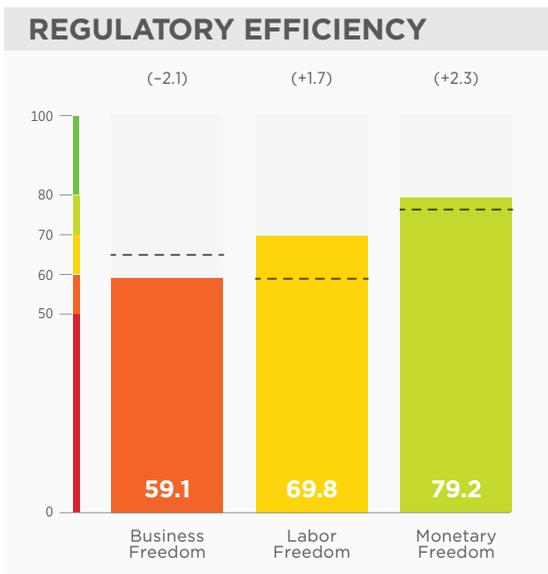
12 ECONOMIC FREEDOMS | IRAQ



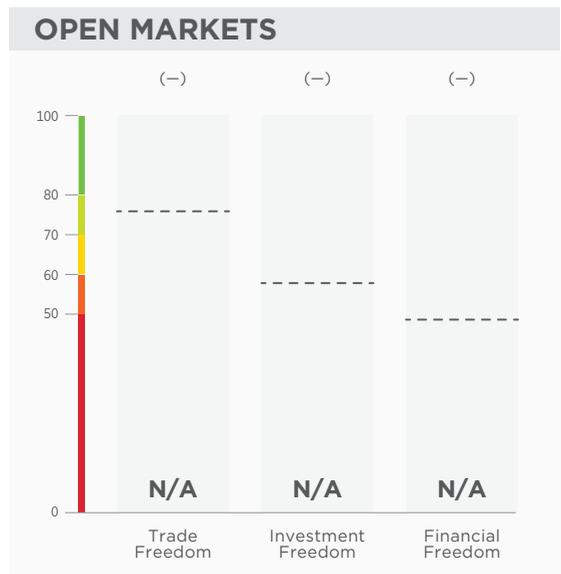
Property rights are not well protected, partly because of the state’s limited administrative capacity. The judiciary in Iraq is heavily influenced by political, tribal, and religious forces. Officials throughout the government often engage in corrupt practices with impunity, and investigations of corruption are politically influenced. Bribery, money laundering, nepotism, and misappropriation of public funds are commonplace.



Individual and corporate income tax rates are capped at 15 percent. Tax revenue as a percentage of GDP is negligible because of high levels of evasion and lax enforcement. Over the past three years, government spending has amounted to 42.7 percent of total output (GDP), and budget deficits have averaged 8.6 percent of GDP. Public debt is equivalent to 63.7 percent of GDP.



Businesses face significant costs to ensure security, as well as cumbersome and confusing procedures and long payment delays on some government contracts. Informal labor activity persists in many sectors. A fiscal squeeze in 2017 made it even more challenging for the government to reduce fuel and food subsidies and reform the electricity sector and other state-owned enterprises.



Trade is significant for Iraq’s economy; the combined value of exports and imports equals 72 percent of GDP. The average applied tariff rate is 0.0 percent. Nontariff barriers impede trade. State-owned enterprises distort the economy, and sectoral restrictions limit foreign investment. State banks dominate credit markets, and the largely cash-based economy lacks the infrastructure of a fully functioning modern financial system.