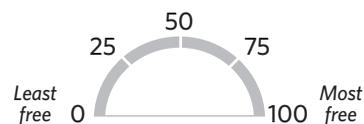


IRAQ

Economic Freedom Score



This economy is not graded

World Rank: Not Ranked

Regional Rank: Not Ranked

Iraq's economic freedom remains ungraded because of a lack of reliable data. The government's compilations of official economic statistics are inadequate, and data on Iraq in many of the international sources relied upon for *Index* grading are incomplete. Iraq's economic freedom will be ranked in future editions when more reliable information becomes available.

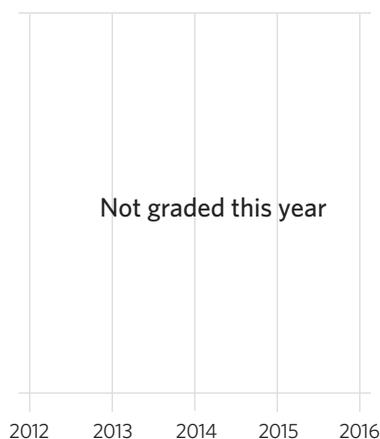
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **Not Graded**
- Economic Freedom Status: **Not Graded**
- Global Ranking: **Not Ranked**
- Regional Ranking: **Not Ranked in the Middle East/North Africa Region**
- Notable Successes: **N/A**
- Concerns: **N/A**
- Overall Score Change Since 2012: **N/A**

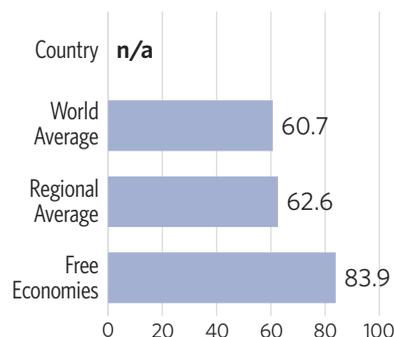
Iraq's ongoing economic reconstruction has become increasingly fragile. The central government's weakness, the presence of powerful vested interests, and political volatility have hindered difficult policy reforms, undermining the limited but measureable progress made in past years. Grave security threats and instability continue to aggravate economic and humanitarian crises.

BACKGROUND: Iraq has become increasingly unstable since 2013 due to the rise of the Islamic State in Iraq and Syria (ISIS), which is estimated to control one-third of the country. Prime Minister Nuri al-Maliki's party won the largest number of seats in the April 2014 parliamentary elections, but he alienated Sunni Arabs and Kurds with a heavy-handed sectarian agenda. He stepped down in August 2014 and was succeeded by Haider al-Abadi. The oil industry provides more than 90 percent of government revenue. ISIS imposes a high cost on the economy, and the central government is corrupt and ineffective. Increasing insecurity and financial instability have diminished the prospects for an improving economy and for attracting foreign investment.

Freedom Trend



Country Comparisons



Quick Facts

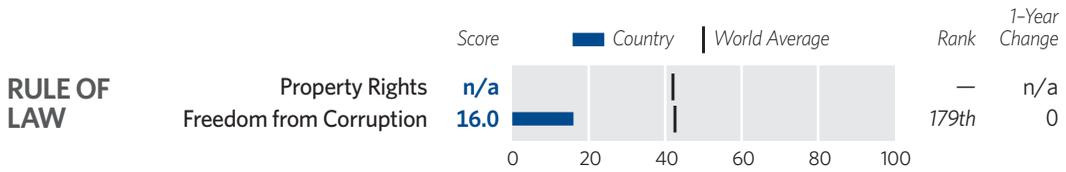
- Population:** 35.9 million
- GDP (PPP):** \$522.7 billion
- 2.4% growth in 2014
- 5-year compound annual growth 6.4%
- \$14,571 per capita
- Unemployment:** 16.4%
- Inflation (CPI):** 2.2%
- FDI Inflow:** \$4.8 billion
- Public Debt:** 37.0% of GDP

How Do We Measure Economic Freedom?

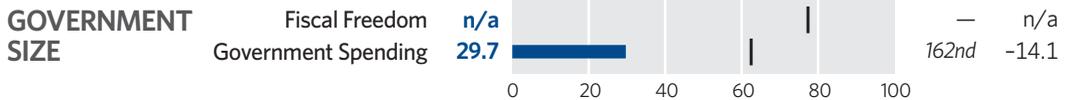
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

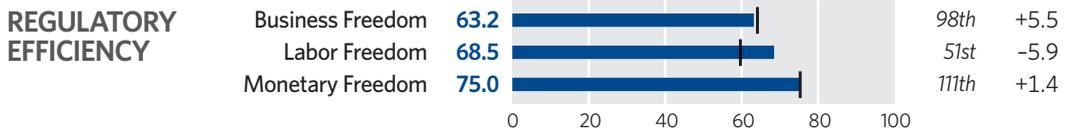
THE TEN ECONOMIC FREEDOMS



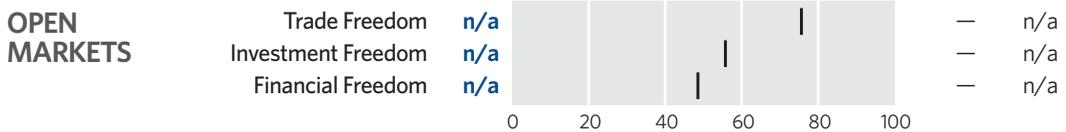
Rampant public corruption, insurgencies, and the state’s limited administrative capacity are major obstacles to the development of Iraq’s economy and political stability. The government has lost control of a large section of Iraqi territory to ISIS, at least in part because the military had been weakened by politicized appointments, incompetence, and graft. Under such circumstances, property rights are not well protected.



Individual and corporate income tax rates are capped at 15 percent. Tax revenue as a percentage of GDP is negligible due to high levels of evasion and lax enforcement. Public spending is estimated to equal more than half of total domestic output, and the budget records surpluses only because of oil revenue, which funds more than 90 percent of government expenses. Public debt equals 37 percent of GDP.



The application of existing regulations has been inconsistent and non-transparent. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. Faced with lower oil revenues and instability caused by ISIS, the government has been unable to pursue reforms to rationalize state-owned enterprises and reduce subsidies for basic goods and services.



Trade flows remain far below potential as the threat of violence suppresses broad-based commercial activity. Numerous non-tariff barriers add to the cost of trade. Iraq is open to foreign investment in principle, but bureaucratic inertia, policy uncertainty, and security concerns deter investment growth. State banks dominate credit markets, and the largely cash-based economy lacks the infrastructure of a fully functioning modern financial system.

Long-Term Score Change: n/a

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	n/a	Fiscal Freedom	n/a	Business Freedom	n/a	Trade Freedom	n/a
Freedom from Corruption	n/a	Government Spending	n/a	Labor Freedom	n/a	Investment Freedom	n/a
				Monetary Freedom	n/a	Financial Freedom	n/a