

# The Contemporary Concept of Odious Debts: Iraq's Debts as a Model

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Received: July 1, 2023

Accepted: September 1, 2023

Online Published: September 10, 2023

doi:10.5539/ijef.v15n10p44

URL: <https://doi.org/10.5539/ijef.v15n10p44>

## Abstract

Iraqi loans stood out because of their unique characteristics. The international blockade in 1991, the occupation in 2003, and the actions of puppet administrations were among the many events that contributed to this debt, with the first two being the most significant. and corruption with many faces. Due to these policies, Iraq is currently undergoing debt restructuring under the supervision and guidelines of the IMF. The goal of the research was to examine the causes of the increase in Iraqi debt following the invasion in 2003. The study discovered that even in the case of a revenue surplus, Iraqi governments continued to construct annual budgets with deficits that are financed by debt. It caused Iraq's debts to grow and accumulate. Debt has grown to be a significant issue for the Iraqi economy and financial system. Iraqi debts are viewed negatively due to their impact on the welfare of the Iraqi people. According to the international doctrine of odious debts, Iraq has the right not to pay these payments.

**Keywords:** Iraqi debts, IMF, Odious debts

## 1. Introduction

Finance asserts government debts are a part of politics. The buildup and adjustment of debt are solely the responsibility of the IMF (Soren, 2005; Chicago). Thirdly, there cannot be odious debts without impoverished governments, the study adds. Most of Iraq's debts fall under the category of "odious debts," which were distinguished by unique characteristics. Following Iraq's nationalization of the oil industry in the 1970s, the West imposed an oil embargo on the country. After the oil embargo, the Iraqi government paid off all obligations that had to be borrowed against. Iran forced the eight-year war on Iraq in the 1980s, Iran inflicted a war on Iraq that lasted for eight years and resulted in the building of debt from the costs associated with the war. To pay off the debts, Sadoon Hammadi developed an all-encompassing plan after the war (Iraqi Economic Committee, 1990). The UN Security Council placed a broad embargo on Iraq from 1991 to 2003 because of political pressure from around the world to drive down oil prices, which prevented Iraq from carrying out its debt repayment plan. The Iraqi bordering nations helped to impose and strictly enforce the total economic isolation of Iraq, setting a precedent that has never occurred in world history. On August 6, 1990, the Security Council of the United Nations issued Security Council Resolution No. 661. Iraq was subjected to an eight-year war by Iran, which led to the accrual of debt due to war-related expenses. After the war, Sadoon Hammadi created a comprehensive strategy to pay off the debts (Iraqi Economic Committee, 1990). due to political pressure to lower oil prices, which caused the Iraqi debt repayment plan to be blocked. The United Nations Security Council adopted Security Council Resolution No. 661 on August 6, 1990. From 1991 through 2003, the UN Security Council imposed an extensive embargo on Iraq. Iraq was completely economically isolated, which was imposed and severely enforced by Iraq's bordering countries, creating a precedent that had never happened before in world history and killing thousands of people, which resulted in the deaths of 1.6 million Iraqi children (Jordanian Engineers Association, 2002), Albright reaffirmed this objective in an interview with Lesley Stahl in 1996 (Lesley, 1996), stating that the loss of 500,000 Iraqi children is a reasonable price to pay for maintaining sanctions. Because there are ways to circumvent the sanctions due to incentives, they are ineffectual against governments (Portela & Thijs, 2022). Although it does not impact the governments targeted by these sanctions, it hurts its population more. These sanctions will also be advantageous to other parties (Seema & Michael, 2006). Iraq's debts have accumulated due to Security Council Resolution No. 661. It seems that the aim of the siege was to prepare the Iraqi environment for the occupation, and the occupation actually took place in 2003 (Colin, 2003), after the occupation with regard to the Iraqi economic and financial side, work was done by The allied countries

against Iraq, with an unusual speed and a unique situation in the international financial system (Gelpern, 2005), they considered the Iraqi debt as odious debt, Iraq became subject to debt restructuring procedures led by the terms and conditions of the IMF. After the occupation and the rescheduling of Iraqi debts, Governments kept preparing the state's general annual budgets with a deficit that was covered by borrowing from the IMF and the nations allied to the occupation of Iraq, which resulted in the accumulation of Iraqi debts, with the total debt in 2021 equal to 125 billion dollars and an annual debt service of 15 billion dollars. However, the Iraqi people and the Iraqi economy did not benefit from this debt. based on the principles of international law. Debt is viewed negatively. After establishing a national government, Iraq can refuse to pay these debts.

## 2. Research Methodology

The influence of odious debt on the economy, annual budgets, investment growth, and national revenue were all examined by the researcher as they relate to current trends in defining the term. The researcher made a connection between the idea of odious debts and the make-up of Iraqi loans. The researcher looked at published works by authors and subject-matter specialists and conducted a written study on this topic. He used accurate information that came from the original sources. The study questions' responses were confirmed by facts and information. To solve Iraq's debt, the research will examine concepts, construct, and develop the idea of "debt odious," assess those concepts and provide conclusions and recommendations.

The researcher studied contemporary trends in defining the concept of odious debt, its role in the accumulation of debts, its impact on the economy and annual budgets, growth of investments, and national income. The researcher linked the concept of odious debts and the nature of Iraqi debts. The researcher relied on written research on this subject and surveyed the published works of authors and experts. He relied on real data from its original sources. Actual data and information were selected to confirm the answers to the research questions. The research will explore ideas, formulate, and develop the concept of debt odious, analyze them, and identify conclusions and recommendations for addressing Iraqi debt.

## 3. Research Objectives and Importance

The research aims to study the nature of the Iraqi debt after the occupation in 2003. It aims to prove the nature of the debt and the extent to which it is odious. Evidence of odious debts has been described based on indicators, standards, and precedents in international law, and the concept of odious debts has been defined according to these standards. If these criteria are met, people are not obligated to repay these debts.

The importance of the research comes from the fact that the Iraqi debt is considered odious. Its continued accumulation will constitute a major problem for the Iraqi economy and financial system, and the study of refraining from paying the value of these debts after a national government.

## 4. The Problem and Research Questions

The Iraqi economy suffers from a decline in GDP growth, high debts, and debt service. Despite the high value of revenue from oil export. The researcher discovered that there is a relationship between increasing debts, organized looting, and smuggling liquidity from the Iraqi economy. Monetary and financial policies are applied with insistence on using all ways and means to empty Iraq of reserves of hard currency. All the above correspond to the criteria for considering Iraqi debts as odious debts. To prove that Iraq's debts are odious. The researcher will answer these questions:

### 4.1 The First Major Concern: Is Iraqi Debt Odious?

The following sub-questions make up this question:

- 1) Is Iraq's debt imposed on the Iraqi people?
- 2) Were Iraqis involved in the borrowing process? Did the borrowing operations follow the guidelines of the bank's borrowing system and the accepted lending standards and conditions?
- 3) Have these debts been invested and used for the Iraqi people's benefit?
- 4) Are the debtors aware that these debts are not being utilized to help the Iraqi people?

### 4.2 The Second Main Question: What Evidence Supports the Notion That the Iraqi Debt Is Odious?

The following sub-questions make up this question:

- 1) Do the economic orders enacted by the occupation government in 2003 reflect the benefits of the Iraqi people?
- 2) Do the financial and monetary policies reflect the benefits of the Iraqi people? Did these debts create a

problem in implementing correct development plans?

3) Has the Iraqi money been drained due to debt service, corruption, and capital smuggling? Has foreign debt been used as a method of capital smuggling from governments after the occupation in 2003?

## 5. Literature

### 5.1 *Odious Debt*

Odious debts are debts that have been imposed on the people in a country, The people didn't participate in the borrowing process due to occupation or the conquest of power by force. This debt was not spent for the benefit of the people. The creditors know from the outset. These debts are not used to increase investment opportunities and achieve development. The law of international justice allows the state concerned with odious debts the right to refrain from paying (Shafter, 2007). Odious debts are sovereign debts that are borrowed by a governor that lacks popular support, or a government imposed by the occupation, which is an illegitimate government according to international law. or occupation was a borrow in the name of the country that it occupied to implement the objectives of this occupation. The government installed by the occupier does not use these debts for Developmental public or investment projects (L'ónce & James, 2015). Odious debts represent the money that the puppet-class government (tyrannical lumpenproletariat government) borrows from foreign creditors. At the same time, these creditors know the nature of this government, which spends the borrowed money either for illegal purposes, such as suppressing the population of the country, financing the militias, looting, and depositing in bank accounts outside the country in the account of the puppet class, or smuggling it to the foreign occupation countries cooperating with it. Government borrowing is subject to precise and specialized financial conditions, the most important of which is the principle of benefit from borrowing and the economic feasibility. Many researchers have concluded that it is unfair to require residents to pay for debt servicing that is essentially personal debt to their captors' loans (L'ónce & James, 2015). These debts are without going through the local banking system or official channels (Al Alak & Ali Mohsen, 2016). Militias use forged documents and available smuggling methods. Studies of odious debts have shown that for each £ from rich countries lending or aid to poor and plundered nations, thirteen £ is returned to them in debt service payments. Developing countries are paying more than \$100 million each day in debt service payments, and the structuring of debt from lumpenproletariat or illegitimate governments (L'ónce & James, 2015). Legitimate governments face difficulty in building a nation torn with scarce resources, as they are forced to service the hateful debts borrowed by previous governments without any income or benefits. The money from these debts was not invested in safe and sustainable platforms for national development, on the contrary, it created for this country a real economic development problem, and a missing national economic security problem (Ernst, 1931, L'ónce & James, 2015). This doctrine is based on the rules of obligatory debt payment like local rules and the lending system operates adopted by local banks and international financial organizations. The term odious debt was used by the diplomats of the United States government for the first time after the Spanish-American War in 1898, They called to consider the debts owed by the former Spanish colonies (Cuba and Puerto Rico) null and void. The borrowed money was used by the Spanish government to oppress the colonized peoples. These debts were imposed on the people without their consent. It wasn't spent for the benefit of the people. Creditors took their money from the start of investment opportunities. This is a compelling justification that demands debt enforcement is not legally and morally enforceable (Chander & Emory, 2004). Studies have come to describe Iraq's debt restructuring as "an ideal geopolitical situation, a classic anomaly" surrounded by strategic rather than financial concerns "because Iraq is an unlikely source". For lessons on sovereign bankruptcy in an age of financial globalization (Ambrose, Soren, 2005) (Gelpern, 2005).

### 5.2 *Odious Debts Experiences*

The countries dealing with odious debts are exposed to the depletion of their wealth in multiple ways, Odious debts are increasing and accumulating. The public budgets are continuing to pay to serve external debts from installments and interests, lumpen - class governments are working to multiple measures with the aim of continuing organized looting, spreading a culture of corruption, and facilitating the flight of capital outside the country. For example, the money smuggled from 33 sub-Saharan African countries from 1970 to 2008 illegally amounted to more than \$ 700 billion. For a simple comparison, if we invested the smuggled sums at market interest rates, the amount would be 944 billion dollars. While the gross domestic product of these countries became only 997 billion dollars in 2008 (L'ónce & James, 2015). The value of the money paid to service the debt has doubled from external debts due to the compound interest remaining in the debt cycle. Nigerian President Olusegun Obasanjo wrote a letter saying that during his first term, at the end of the 1970s, Nigeria's debts were \$5 billion. The payments on that debt have so far to \$16 billion, and the remaining debt is \$32 billion

(Andrew, 2004).

The odious debt constitutes a major threat to the security of the local community, and the international community's destruction of the various economic sectors, harm to society, and raise the level of poverty. The odious debts contribute to the continuation of the puppet-class governments. This government is characterized by a lack of legal accountability for its members (Adel, 2021). Puppet-class governments are hosting hostile parties and militias from other countries and supporting them to achieve political goals, they are reinforcing the role of the failed state. It starts with issuing laws and removing the national technical middle class with specialized knowledge (en.wikipedia.org). This government contributes to sabotaging the institutional system, expanding the circle of fraud and bribery, destroying the health system, and providing a breeding ground for infectious diseases outside the scope of coordinated medical intervention. The security interest of the international community is supposed to prevent state failure as much as possible and facilitate its rebuilding.

### *5.3 Strategy for Dealing with Debtor Countries*

The summary of previous experiences leads to the conclusion that the strategy of debt and its accumulation proceeds according to the following steps:

- 1) Debtor countries are paying 25% of their annual revenues to service their debts.
- 2) There is an inextricable link between debt and the weakness of countries due to their weak credit rating, it has no choice but to get help from the IMF. If it wants to remain part of the global economy, the experience of the economic embargo on Iraq during the nineties of the last century shows us the meaning of closing the global economy (Darwish & Youns, 1993).
- 3) Structural adjustment programs are affecting the lower-income classes and the poorest, especially women and children. The size of the shabby class (lumpenproletariat) will expand. The middle class is going to be a neglected segment. The odious debts make hundreds of millions of people have no hope, they have no voice in determining the economic policies of the failed illegitimate government, with little chance of seeing those policies work in their interest.
- 4) Credit loans are the bulk of debt funds, which often end up in the pockets of contractors from lender countries. The World Bank assists the beneficiary countries in the field of procurement, through the Bank's offices, which are dominated by the commercial interests of these countries.
- 5) Investment groups bought debt in the secondary market. They will threaten and sue the government to get full repayment of the debts purchased and refuse to settle. For example, the Peruvian government had to pay \$58 million to one such fund in 2001 (Paul, 2004).

### *5.4 The Strategies and Economic Policies in Iraq After 2003 Were According to the Following Steps*

Iraq's Total obligations in terms of compensation and debts in 2003 were \$(160) billion, (Kuwait's compensation is \$52 billion, \$53 billion in undocumented claims from the Gulf countries, \$20 billion in commercial debts, \$39 billion Paris Club, \$17 billion for the Soviet Union). Most of the Iraqi debts were lent by the countries of the UN Security Council and the international coalition for the occupation of Iraq. UN Security Council Resolution 1483 is the abolition of sanctions on Iraq, It is decided to freeze Iraqi assets of \$40 billion to the Development Fund for Iraq. The occupation spent it without legal documents.

The feasibility of litigation by creditors against Iraq became close to zero after Resolution 1483 (Gilburn, 2005). With apparent complicity, the Security Council was used as a method to manage bankruptcy and with a bias in favor of sovereign debtors.

This is a precedent from the Security Council. The policymaker chose the Security Council as an institutional tool in dealing with Iraq's assets and debts instead of the IMF. Participants in the international debt market saw the UN as biased towards the debtors and ignored the complexities of international financing. Because the Resolution was insensitive to market concerns. Lesson Two In the case of Iraq, Gilburn said the international community will step in to protect the government when its financial plight poses an exceptional political threat. The event that took place in Iraq is considered a unique political event, and this distinction was considered exaggerated and in the interest of the occupying state (Gilburn, 2005).

It was decided to deal internationally with these liabilities and debts within the framework of the concept of odious debts, based on the invitation of the American president after the occupation of Iraq in 2003 and Iraq's accession to the Paris Club agreements. The remainder was rescheduled on the condition that Iraq be subject to IMF standards (Forex News, 2005). Iraq's debts entered borrowing within the arrangements of the Paris, and London clubs and in compliance with the terms of the IMF.

The Iraqi government presents the state's general budgets with a deficit (Table 1), even if there is a surplus in revenues for the years 2003 to 2021. The goal is to continue the borrowing cycle. For example, the price of a barrel of crude oil was estimated in the 2012 budget as \$ 85 per barrel, while oil was sold at a price of \$105 per barrel, so actual revenues became \$124 billion instead of the estimated \$100 billion. At the same time, the estimated deficit was \$14.8 billion. Loans from the International Monetary Fund and other parties in 2012 totaled \$16.1 billion. The situation was repeated in subsequent years.

Table 1. General budgets, total revenues, expenditures, deficit or surplus for the period (2010-2021)

(Trillion Iraqi Dinars)

Years	Total revenues	Total expenditures	Deficit / Surplus
2010	61,735	83,400	(21,682)
2011	80,935	96,663	(15,723)
2012	102,935	117,122	(14,796)
2013	119,296	138,424	(19,128)
2014	96,406	163,416	(67,010)
2015	94,048	119,462	(25,414)
2016	84,716	113,595	( 28,879)
2017	79,618	100,845	(21,227)
2018	93,000	116,421	(23,421)
2019	106,000	133,000	( 27,000)
2020	70,000	148,000	(78,000)
2021	93,000	164,000	(71,000)

Source: <https://moj.gov.iq>. Iraqi Fact Newspaper, various issues (2010-2021).

Fiscal policies led to transforming the deficit into a structural deficit in the economy by making the Iraqi economy rentier and dependent on oil revenues by 95%. The deficit in the state's finances was rooted in an increase in expenditures, the most important of which are: paying debts and servicing them annually, military expenditures, independent bodies that prepare redundant allocations annually at a cost of 2817 trillion Iraqi dinars, expansion of government employment, granting fake salaries. and allowances for special grades. All these expenses were raising government spending from \$25 billion in 2005 to \$113 billion in 2021, an increase of 352%. At the same time, the level of services and industrial production decreased from government companies, the most important of which is the electricity sector and oil refineries, the low level of education, increase in the illiteracy rate, deterioration of health services, and all government services (Ministry of Finance, State Budgets, 2005-2021).

- The shabby government worked to diversify the ways of spending, waste, spending hard currency, and smuggling it out of Iraq, through the daily corrupt currency auction. Foreign exchange reserves decreased from \$83 billion in 2005 to \$35 billion in 2019.

- The government worked to keep the rentier economy on one side and to make the oil sector outside the Iraqi economic system. These governments do not allow the operation or development of petrochemical factories.

- The shabby government cooperated with neighboring countries in implementing the neighbor impoverishment strategy (the impoverishment of Iraq). This government made agreements with Iran to import goods at lower prices compared to Iraqi products because Iran was pursuing a policy of currency devaluation. The corrupt government was canceling all tariffs.

- The cost of oil production has increased from \$2/barrel to \$10/barrel. It is paid to oil companies under licensing contracts, and the total cost that was paid to companies during the period between 2010 and 2020 amounted to \$(100) billion, representing 13% of oil export revenues. At the same time, the production capacity of oil refineries decreased from 812 thousand barrels/day in 2010 to 492 thousand barrels/day in 2017, while imports of oil derivatives increased from 59 thousand barrels/day to 94 thousand barrels/day in 2017. Because the equipment of the Baiji refinery was dismantled by the militias, with the supervision and knowledge of the government. The contract bill for importing oil and gas derivatives from Iran has risen. This contract is contrary to the conditions of the Iraqi state by requesting offers and choosing the best prices.

- The goal is to raise military spending rates by increasing operational expenses and importing military equipment in corrupt contracts. It is the formation of independent structures and institutions and multi-loyalty

militias within the formations of the Ministry of Defense to suppress the people and continue to captivate the government.

- The shabby government does not allow the implementation of investment projects for the Iraqi private sector or the Iraqi state. These economic policies increased the value of Iraq's foreign debt by \$27 billion. However, the IMF continues to provide a new \$10 billion loan, which is expected to bring the total debt to 182 trillion Iraqi dinars (equivalent to about \$125 billion), 56.8% of Iraq's GDP. Payments for debt service are \$15 billion annually.

The above-mentioned economic and financial policies have led to the accumulation of debt and the low credit rating in Iraq. The result is dealings with the IMF. Experience has shown that over more than forty years of applying these programs imposed by the IMF in debtor countries, they have not yielded any evidence of reducing poverty, accumulating wealth, recovering from economic crises, repaying debts, or raising the standard of living of the individual (Al-Shbib, 2002).

## 6. Answer the Research Questions

### 6.1 *The First Major Concern: Is Iraqi Debt Odious?*

The following sub-questions make up this question:

#### 6.1.1 Is Iraq's Debt Imposed on the Iraqi People?

The answer to this question is related to determining the principle of determining what behaviors government employees are not entitled to do towards their country's economy. What actions are clearly compatible with their role as government officials? These behaviors can be viewed from the legally approved criteria, which are the benefit criterion, the difference criterion, the role of the government employee's criterion, and the good faith criterion.

To answer this question, we must refer to the laws issued during the occupation rule since 2003 during the period of the ruler Bremer, he repealed some laws and issued in place of the laws related to the Iraqi economy, including the Banking Law on 6/ 3/2003, the Central Bank of Iraq Law on 6/3/2004. The most important legal articles included are abolishing the external transfer control department, establishing the window for selling foreign currency in a public auction, allowing the IMF role in providing advice to the Iraqi central bank, canceling the bank's subjection to the supervision and auditing of the Iraqi Financial Supervision Bureau, issuing the Islamic Banking Law, The Trade Bank of Iraq which enjoys immunity against the seizure of Iraq's money.

These laws raised Iraq's debts because of (grand corruption) in the public auction to sell the dollar and the role of the banks in that, the auction facilitated the smuggling of hard currency from Iraq, draining the reserves of hard currencies and so going towards external loans. The amount sold in the auction for the period from 2004-2020 was \$590 billion, while the value of real imports constituted 15% of this amount (Iraqi Financial Supervision Bureau, 2020), the gap between the value of the auction and imports is smuggled out of Iraq, at the same time the total Iraqi foreign debts rose to \$133 billion in September 2020. (Saleh Mazhar, 2021), the internal public debt ID 100 billion, with reference to the internal debt, which affects the demand for the dollar because of government spending.

These decisions implemented by Iraqi governments and government employees after the occupation are not consistent with the behavior of public officials and their duty to achieve the benefit of the Iraqi people, and no economic feasibility from these policies. The financial results proved the lack of good faith in the behavior of

#### 6.1.2 Were Iraqis involved in the borrowing process? Did the borrowing operations follow the guidelines of the bank's borrowing system and the accepted lending standards and conditions?

The government and the composition of the parliament that the occupation established in 2003. The same systems were continued until 2022. They are adopting the social components as a basis for forming the Iraqi government as in Article (3) of the Constitution instead of the citizenship criterion. This constitution imposes the contradictory democratic ideology and the adoption of the theocratic option (imposing the dictatorship of the block the authority of parties claiming Islam) in the administration of government. They were supported by the falsification of elections and the intimidation of the militias. It established the principle of dual sectarian and ethnic quotas in government positions (Saleh, 2018). The Iraqi state is controlled by representatives of three parties called blocs according to their classification of them from the occupation. They exercise the dictatorship of blocs under the directives of foreign parties and the I MF for economic sectors. Therefore, the Iraqi people did not actually participate in the management of the government. On the other hand. This means the Iraqi people did not participate in the borrowing process.

If we adopt the borrowing criteria, which are: The state's ability to pay, the value of exports of goods and services in the ownership of public goods changes from residents to non-residents, which achieves more exports of goods and services as an indicator of export, improving the trade balance and then the balance of payments and increasing the current account balance. Current account balances are the original source of loan repayment, the ratio of total external standard debt to repaid debt decreases, the debt burden decreases, and the probability of default decreases (Zhou, 2020). The indicators in the Iraqi economy for the year 2020 are GDP growth rate -10.9%, current account balance - \$25.5 billion, government debt ratio to GDP 81.2%, per capita government debt \$5,175, non-oil trade balance deficit - \$10.071 billion (Central Bank of Iraq 2021, Mazhar Muhammad Salih 2021). These indicators do not allow lending to Iraq under normal conditions because they do not meet the approved international lending standards, including the credit rating of Iraq. However, we note that there is an insistence on lending to the Iraqi government from the IMF and other countries allied in the occupation of Iraq.

#### 6.1.3 Have These Debts Been Invested and Used for the Iraqi People's Benefit?

Studies show any decrease in the external debt stock of countries with large debts. The decrease will increase the per capita income by one point, at the same time, it will increase investments in productive projects and lead to an acceleration of growth. The high debt stock leads to a decrease in the level of investment. An additional increase in debt will inversely contribute to economic growth (Daudet al., 2013; Nguyen et al., 2003; Cohen, 1995). Debt service flows affect economic growth by crowding out private investment and components of public spending, especially the volume of resources available for infrastructure and human capital development. They will lead to an increase in the government budget deficit and reduce public savings. It may either raise interest rates or compete with the amount of credit available for private investment, which weakens economic growth. The effect of debt on the average per capita becomes negative for debt levels that exceed 160-170% of exports and 35-40% of gross domestic output (Nguyen & Clements, 2003). This study demonstrates the need for policymakers to ensure that the benefit of external debt is determined for economic activities. Which will lead to sustainable long-term economic performance. Furthermore, the government and its partners should put in place a monitoring mechanism to ensure the effective use of borrowed funds and the feasibility of the borrowing process (Ehikioya et al., 2020). Iraq's debts did not invest in productive investments and infrastructure. The indicators of economic productive activities in Iraq show the size of the underdevelopment in production and the low percentage of its contribution to the gross domestic product. There is a lack of any productive capacities in agricultural and industrial fields, especially electricity production. The statistics indicate in unprecedented behavior that the production capacity of electricity did not increase according to the need for industrial and agricultural projects, which led to a rise in the cost of electric energy for existing projects and consumers. As the annual electricity cost per capita in Iraq is \$983 compared to \$21 for an Iranian, \$209 for a Jordanian, and \$275 for a Turkish individual. This is led to an increase in the cost of production projects with electricity by 4580% compared to Iran, one of the neighboring countries that use a policy of beggar-the-neighbor towards Iraq (Al-Saffar & Safwa, 2021), of course, that is reflected in the high selling prices of the Iraqi product, driven by the high cost. Iraqi products have become non-competitive with the products of neighboring countries, Iran imposed a free trade agreement on the Iraqi government because of its subordination to its agenda (Iraqi Federation of Industry, 2021). In unprecedented behavior in the international financial system. The IMF imposed a condition for paying the dues of foreign oil companies operating in Iraq from the IMF loan. This government did not re-investment in the rehabilitation and operation of 200 governmental producers (Ministry of Industry and Minerals, 2021), which led to the loss of annual revenues, the cost of their employees, the loss of value for their assets, and the import of their production alternative from outside Iraq.

#### 6.1.4 Are the Debtors Aware That These Debts Are not Being Utilized to Help the Iraqi People?

The creditors must ensure that the money loaned to Iraq will be spent correctly for the purposes of public benefit and the development of the Iraqi economy. They make sure there are no suspicions (of corruption) in allocations, aspects of spending, and investment in economically feasible projects. The interpretation of the word corrupt here is that the government engages in a well-known pattern, from "the abuse of public office for private gain.

To answer this question, we will rely on the reports of Transparency International on Iraq (Olst, 2012). Transparency International revealed this in its report 2020 (Table 2). Iraq was ranked 162 among the world's most corrupt countries in the world.

Table 2. Ranking of Arab countries according to the Global Corruption Index for the year 2019/2020

Arab countries	Ranking	Arab countries	Ranking
UAE	21	Algeria	106
Qatar	30	Egypt	106
Saudi Arabia	51	Djibouti	126
Oman	56	Lebanon	137
Jordan	60	Mauritania	137
Tunisia	74	Comoros	153
Bahrain	77	Iraq	162
Morocco	80	Libya	168
Kuwait	85		

Source: <https://www.transparency.org/en/Iraq,2020>

The results of expenditures in the Iraq general budget show there are no investment projects, The results of expenditures in the general budget of Iraq show that there are no investment projects. The government failed to support the private sector, as (53,000) private sector factories stopped working due to the dumping of the Iraqi market and the lack of government support (Iraqi Industries Federation, 2020). These indicators mean that the lenders and the International Monetary Fund were aware of the risks of lending to Iraq and were sure of the misuse of borrowed funds. They cannot claim that the loan was granted innocently. This means according to the laws of international justice the debt is not paid obligated after the misuse of the loans. The injustice of the odious debt is grave to the Iraqi people and should not be ignored. Because the government was not using the borrowed money for the benefit of the Iraqi people and economy (Dimitriu, 2017).

### 6.2 *The Second Main Question: What Evidence Supports the Notion That the Iraqi Debt Is Odious?*

This question is divided into the following sub-questions:

#### 6.2.1 Do the Economic Orders Enacted by the Occupation Government in 2003 Reflect the Benefits of the Iraqi People?

order No. 81 issued by Primer the civil ruler of Iraq after 2003 is one of the strangest and most dangerous decisions. This decision led to the destruction of the agricultural economy in Iraq, It prevented Iraqi farmers from using local seeds of all kinds These seeds were developed by the IBAA Agricultural Research Center for tens of years. This research center was destroyed. This decision contributed to Iraq importing all its needed agricultural products. Iraq's imports of foodstuffs reached 100% in some years. It also led to a decrease in grain production in Iraq from 3.5 million tons in 2001 to 2.1 million tons in 2020.

Order No. 39 privatizes 200 state-owned companies in Iraq and allows foreign ownership of 100% of Iraqi companies. This decision led to the suspension of work in all factories and activities of these companies. These companies became dependent on grants from the annual budget. Some of them were dismantled and stolen with the confirmed knowledge of the Iraqi government, as happened with the Baiji refinery ([www.alarabiya.net](http://www.alarabiya.net) "Arab-and-world" Iraq). This decision gave the right not to contract with Iraqi workers, and it is very easy to ignore Workers' rights. All these codes contributed to the high unemployment rate among young people to 40% in Iraq, the decision said there is no need to provide any public services by foreign companies, and companies can withdraw their investments at any time without any fines.

Order No. 40, which transformed the government banking sector into a market system. It allowed foreign banks to enter the Iraqi market and buy 50% of the current Iraqi banks. The number of banks is now 41% of the number of companies whose shares are traded in the Iraqi money market. These banks do not contribute to financing any production or investment activities in Iraq. Foreign banks only engaged in the parasitic activities of currency trading and smuggling. Resolution No. 12 2003 and renewed in 2004, suspended all customs duties, import taxes, and additional license fees for goods entering or leaving Iraq,

It canceled all other trade restrictions applicable. Customs revenue decreased to 3% of the value of imported goods (Al-Khayat, 2020). This decision led to the import of cheap and low-quality goods with the aim of eliminating the national industry and influencing and eliminating local distributors for the same products, which affected the GDP now and in the future.

Order No. 30 related to government financial management and its most important provisions prohibited the export of Iraqi industrial products and raw materials so factory owners and other producers are still unable to export their products because of this law. All of this led to the destruction of the Iraqi economy and made it a rentier economy that depended on 95% of oil revenues. Thus, the Iraqi economy became exposed to the outside.



It has become easy to collapse, as happened when oil prices fell during the years 2017-2020

### 6.2.2 Do the Financial and Monetary Policies Reflect the Benefits of the Iraqi People? Did These Debts Create a Problem in Implementing Correct Development Plans?

Financial and monetary policy is one of the most important tools in managing the macroeconomy. The government after 2003 has not developed any programs, plans, or Specific objectives of financial and monetary policy. The results of implementing the annual general budgets in Iraq are proof of this. All governments have adopted a policy of increasing the number of government employees, whose number has increased to 6 million employees and retirees, compared to 800,000 employees before 2003. There are large numbers of fake employees. It issued illogical decisions that gave the employee a leave of 5 years and referred the employee to retirement when he reached 60 years of age. The number of employees without scientific and functional competencies is increasing, which increased the number of retirees and increased the disguised unemployment rates in government jobs. The actual number of employees working hours is 45 minutes per day. All this leads to an increase in the percentage of government operating expenses to 87% in 2021. Public spending has grown over the past years at a rate of (5.28%). It is one of the highest ratios in the world, which makes the money supply an external variable that controls the size and quality of government spending, and accordingly, the money supply in its narrow sense increased from (5.8 trillion dinars in 2003 to 119.9 trillion dinars in 2021 (Central Bank of Iraq, 2022). The investment plan allocations of 13% have been exhausted in importing electricity and gas from Iran. In addition to non-implementation and completion of projects. The most important of these is the project to return the Baiji refinery to work, the Al-Faw port project, and the conversion of flared gas into an alternative product for import. Monetary policy, whose results are catastrophic, did not maintain the Iraqi dinar exchange rate or the volume of smuggling of hard currency reserves. These policies led to a decrease in the Central Bank's currency reserves from 80 billion dollars in 2011 to 36 billion dollars in 2021, and the Iraqi dinar exchange rate was reduced in 2021 from 1120 dinars per dollar to 1450 dinars per dollar, which led to an increase in prices and inflation by an increase on 25%. The standard of living of the citizens decreased by the same percentage. Usually, the national currency exchange rate is lowered to support national industrial and agricultural production. Iran and Turkey are working to devalue the currency to reduce the price of their products compared to Iraqi products and to implement the beggar thy neighbor policy. Another goal: was to create two prices for the currency and adoption of forged bills for looting and smuggling of hard currency and depleting the reserves.

### 6.2.3 Has the Iraqi Money Been Drained Due to Debt Service, Corruption, and Capital Smuggling? Has Foreign Debt Been Used as a Method of Capital Smuggling from Governments After the Occupation in 2003?

According to the IMF, the chance of achieving growth rates in developing countries may reach 3-3.9 percent, when they are restricting or preventing illegal outflows. The total illegal flows out of Iraq are for the period from 2004-2020 \$(503) billion. This gives us an impression of the Iraqi economy loss and its failure to achieve growth due to looting and organized smuggling of hard currency. The ratio of the accumulated illicit financial flows to the GDP for the year 2020 is (292%). A report published by the British charity Oxfam presented the policy of the occupation after 2003. This policy was behind the spread of the phenomenon of financial and administrative corruption from 2003 to now, especially since some symbols of this occupation are involved in these corruption operations, such as military leaders in the army, and some foreign advisors who worked in Iraqi ministries (<https://www.oxfam.org.uk>). They worked on legislating laws and training Iraqi personalities from the shabby class to apply the policy of organized looting in Iraq.

Table 3 shows the percentage of corruption in each of the justice, security, and education sectors.

Table 3. Corruption rate in Iraq by sectors

Iraqi Sector	Corruption Rate %
Services	80.30
Security	75.65
Justice	75.05
Foreign Policy Sector	72.73
Economic	71.24
Health	71.13
Agricultural	69.62
The cultural & and social	67.51
The educational	66.96
Tourism & religious	64.46

Source: <https://www.transparency.org/en/Iraq,2020>

On the other hand, when we analyze the policies of the IMF in Iraq since 2016. The fund called the Iraqi government to reduce public employment, reduce current spending, increase electricity tariffs, impose a tax on employee salaries, and reduce the price of the Iraqi dinar. The Iraqi government did not implement the important conditions of the fund, which is not to employ and reduce current spending, but it made to increase spending. The government has committed to implementing the conditions that reduce the standard of living of the Iraqi individual, which is an increase in the electricity sale tariff and a decrease in the exchange rate of the dinar. Iraq continued to suffer from severe shortages of services, especially electricity. The IMF continued to lend to the government 15 billion and 340 million dollars over 3 years. The IMF imposed to pay the dues of the oil foreign companies from its loaned funds to cover the looting of Iraq's money from the government, and not to pay these dues from Iraq's financial resources.

## 7. Conclusions and Recommendations

### 7.1 Conclusions

The answers to the study questions are according to the approved criteria for odious debts. It was found Iraq's debts are odious debts. for the following reasons:

- The debts of Iraq are imposed on the Iraqi people.
- The Iraqi people did not participate in the Borrowing. Process. Borrowing operations are not in accordance with the rules of the banking lending system. It is not in accordance with the internationally approved lending standards and conditions.
- These debts were not spent or invested for the benefit of the Iraqi people.
- All creditors know the government did not use the borrowed money for the benefit of the Iraqi people.
- The economic laws that were issued by the occupation government in 2003 do not reflect the benefit of the Iraqi people.
- There were no financial and monetary policies to use the borrowed money to serve the Iraqi economy and the Iraqi people. On the other hand, debts created a big problem in providing the necessary funds to implement development plans. Because it pays debt service in the annual state budgets, in addition to the low standard of living of the Iraqi individual.

### 7.2 Recommendations

Competent international organizations are studying the proposal to impose penalties on those dealing with odious debts. They issue local and international laws, which prevent the confiscation of countries' assets or seizure due to non-payment of this type of debt. Those odious debts are penalties that are self-executing and protect the state treasury which is burdened with odious debts accumulated due to looting or the behavior of repressive governments. This would reduce creditors' incentives to lend to an illegitimate government. It helps to avoid problems after the return of national governments to the administration of the country. The country is not deprived of global credit markets. This is consistent with the proposal of NGO organizations that called for the establishment of an international court, the court requires the creditor to prove that the government debt benefits the people (Shafter, 2007).

Iraq should benefit from some legal provisions in international law. It gives successor systems permission to give up inherited debts that meet the criteria for odious debts.

Iraq must study and cancel all decisions of the occupation. It is to sue Iraqi government employees cooperating with foreign bodies and countries in increasing odious debts, directly or indirectly. According to the provisions of Iraqi and international law. Government employees are guilty of wasting public funds and betraying the trust of the government, whether the perpetrators are individuals, organizations, or collaborators with foreign governments.

The methods of capital flight are transformed into local and international legal texts based on the Iraqi experience, to stop the flight of capital from Iraq and other countries.

Iraqi unions and professional federations should contribute, to documenting cases that support and prove that Iraq's debts accumulate in fall within the concept of odious debts. They must prepare laws to prevent the current government from borrowing, except debts that are for investment projects exclusively with economic and technical feasibility. Loan funds will be spent exclusively on projects.

Iraqi universities, especially the schools of economics, law, and politics are working on writing masters and doctoral theses about odious debts in Iraq. Professors are in the dissemination of scientific research on the

subject.

The creditors of Iraq with odious debts shall be notified. The Iraqi people will not pay any sums and obligations for these debts. when a free national Iraqi government is formed. Because the Iraqi economy did not get benefit from debts. The Iraqi people did not contribute to the borrowing. These debts are odious debt (Jeanine, 2019).

Iraq should negotiate with the Gulf countries not to claim any debts owed by Iraq, given that these funds have been granted. It is not a debt and there are no documents according to the debt procedures proving that.

The official occupying countries must return the amounts of the Development Fund for Iraq, which is estimated at \$ 87 billion to Iraq, and hold them responsible for their disbursement and depletion according to international laws (Wall Street Journal, 2003).

The Central Bank must stop the window for selling currency by public auction. It will restore the department of control over external transfers to prevent the depletion of Iraq's reserves. The Iraqi Board of Supreme Audit must audit the accounts and the efficiency of the performance of the central bank.

The IMF should let Iraq deal in the international market based on competition. And it does not provide support and endorsement to the Iraqi government, which has failed to obtain the debt. At the same time, this government does not make any contribution to economic prosperity and banking reform. This recommendation was confirmed by Calomiris (Calomiris, 1998) that bribery is not only unnecessary but ineffective in saving the economy.

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