



Business Impacts of COVID-19 Pandemic on People Across Iraq

Hasan Saad Mohammed

Al Kunooze University College, 61001 Basra, Iraq

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Corresponding Author:

Hasan Saad Mohammed

Al Kunooze University College, 61001 Basra, Iraq

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Abstract: As the international response continues to develop, we know that organizations are facing significant challenges. The total number of recorded cases in Iraq amounted to 772 people while 54 deaths were recorded. On the other hand, sources confirmed that there are between about three thousand and nine thousand confirmed cases. According to the latest statistics of the Central Bureau of Statistics, <20% fall below the national poverty line while the unemployment rate among the youth category reaches 22.7%. Meaning that about 35 million people in Iraq were affected at a rate of 580,000 Iraqi families (average family of 6 individuals) whose livelihoods were affected to varying degrees due to the current situation. The private sector includes about seven million workers and is divided into organized and unorganized at a rate of four million for the first and three million for the second.

INTRODUCTION

COVID-19 is first and foremost a global humanitarian challenge. Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Governments and industry are working together to understand and address the challenge, support victims and their families and communities and search for treatments and a vaccine. Companies around the world need to act promptly.

This document is meant to help senior leaders understand the COVID-19 situation and how it may unfold and take steps to protect their employees, customers, supply chains and financial results.

There is a limited window for governments to drive adequate public health responses and meet demand drawn down with proportionate economic interventions. Without this, the possibility of deeper effect on lives and livelihoods is more likely.

Scaled-up testing will soon clarify the extent and distribution of spread in the US and Europe. There continues to be concern about the extent of spread and its consequences in countries with large populations and higher population densities. Learnings from other countries and recent innovations (strict social distancing rules, drive through testing, off-the-shelf drugs that can address mild cases, telemedicine enabled home care) could provide basis for a restart.

Economies are the most affected by this virus that led to restrict the movement and the freedom of travel between countries, limit the transport of goods by sea and land and raise spending on precautionary measures to limit the virus spread.

On February, 24, the Iraqi government announced that the virus has entered Iraq as Najaf Governorate recorded the first infection of an Iranian religious student^[1]. The resigned Prime Minister Adel Abdul-Mahdi announced the forming of a Crisis Cell,

according to Order 55 on February, 3 which seeks to reduce the spread of the virus, preventing its transmission in other regions where no cases of infection were recorded and working to implement the decisions of the cell in all of Iraq.

On February 26th, the Iraqi Minister of Health announced a number of precautions to limit the spread of the coronavirus inside Iraq and work to follow-up on matter and deal with them based on the situation. Among these precautions.

Suspending travel between Iraq and China, Iran, Japan, South Korea, Thailand, Singapore and other Asian countries in which cases of infection have been confirmed. Suspending official working hours in educational institutions and universities. Prohibiting the gatherings on religious occasions, among others. Reducing official working hours in government institutions to 50% until the beginning of the month of next.

The situation developed quickly in most governorates and measures were taken to stop the spread of the virus. The crisis cell took a number of measures on March, 15, to reduce the spread of the epidemic and control the situation including.

Imposing a complete curfew in Baghdad for 7 days, authorizing the governorates to do the same and suspending official working hours throughout the country. Suspension of flights to and from Iraq for 7 days.

The Iraqi market has been affected by the spread of the coronavirus and the government measures taken to contain it. Iraq depends on exporting oil and its revenues. Its annual budget depends on international oil prices. While many countries take financial and legal measures to adapt to the challenges of an epidemic or natural disaster that has the potential to harm the economy, Iraq has been “without a budget for this year and without an effective government for nearly four months^[2]”.

In its domestic markets, Iraq relies on imported products despite the Iraqi government’s prohibition of importing some vegetables and construction materials in 2018 and 2019 to support the national economy. However, these measures were not beneficial because Iraq has poor industrial infrastructure, inconsistent development plans and a lack of economic policy. These have made it difficult for Iraq to be economically isolated as it depends on importing consumer needs, construction materials, medicine, industrial and grocery items from neighboring countries such as Turkey, Iran, Jordan and others.

With the Crisis Cell’s decisions coming into effect, the Iraqi market faces huge problems. Restaurants, cafes and commercial complexes have been closed in most Iraq’s governorates, especially in the capital Baghdad. The authorities have closed a out “3 thousand restaurants which created a large army of unemployed people

throughout the country^[3]. This will affect the purchasing power inside the country. For example, their owners of these restaurants are required to pay the monthly salaries even if the are closed. If the owners of restaurants or shops do not pay these salaries, most workers will work in other places after the crisis end.

Despite the Crisis Cell’s exception of food stores, vegetable markets, etc. which citizens depend on for their daily needs, they face weak demand due to the imposition of the curfew. The continued closure of many commercial and financial centers, banks, service institutions, restaurants, cafes and cinemas will harm the Iraqi economy.

Perhaps the Iraqi local market will face a short age of raw materials and food due to the closure of land, sea and air borders. This will lead to an increase in prices of goods stored by merchants, thus, creating new crisis instead of resolving the mainbone.

With the collapse of world oil prices “below \$28.42^[4]”, Iraq has lost half of its financial revenues. Muthir Mohammed Saleh, the economic adviser to the Iraqi government, said that “oil exports constitute 98% of Foreign currency flows to Iraq while oil constitutes 45% of the gross domestic product and 93% of the revenues of the public budget which makes it the main resource for the economy^[5]”. Declined oil prices will cause a major shock in the Iraqi budget if it is voted on in the coming weeks. Also, they will impact the health situation in Iraq due to the scarcity of financial resources allocated for health services.

Politically, Iraq is facing another challenge, choosing a prime minister to succeed the resigned Adel Abdul Mahdibin November, 2019. The political blocs have not been able to name a consensual candidate who is acceptable by all parties. If the number of casualties rises and the epidemic spreads in all provinces of Iraq, Iraq will need a government that can prepare plans to confront the crisis in all its forms and a parliament that monitors the performance of the executive branch which Iraq is missing at the moment.

OIL PRICES

Iraq’s prime minister designate has warned that the oil price collapse means the government could be unable to pay half of its public sector salaries next month. Driven by the twin shocks of plummeting economic demand due to coronavirus and a price war between Saudi Arabia and Russia, oil hit an 18 year low last week, trading at near \$20 a barrel. This has severe repercussions for Iraq which depend on crude sales for 90 % of government revenues. “Next month, we won’t be able to secure half of the salaries, this is the truth,” Adnanbal-Zurfi, the Iraqi premier said on Sunday in an interview with Iraqi state television. “This means that you will experience true suffering”, he warned. Political patronage, cronyism and

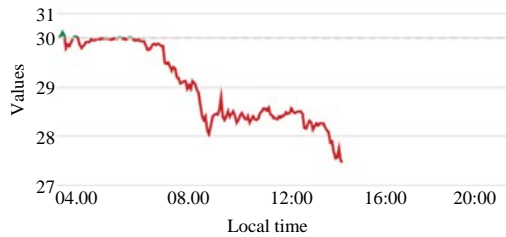


Fig. 1: Prices of 15/4/2020

a desire to appease public opinion has swollen Iraq’s public payroll, since, the US-led invasion of Iraq ousted dictator Saddam Hussein in 2003. Today about 3 m people out of Iraq’s population of 39 m work for the government up from 1.2 m in 2003, according to a study by the London School of Economics. The dominance of the public sector means any disruption to public sector salaries will have drastic implications for the entire economy, according to Yesarbal-Maleki, managing director of the Iraq Energy Institute. “We are reliant on the public sector to basically finance the economy,” Mrbal-Malekib said. The institute estimates that a out \$5 n a month is needed to cover government payroll but that current oil prices will leave Iraq with a monthly fiscal deficit of about \$2 n. Baghdad had budgeted for Iraq’s oil to be sold at an average price of \$56 per barrel, but the average price for March was about half that at \$28.45, according to the oil ministry.

Public sector hiring freezes were introduced in 2014, after another oil price collapse and the fight against Is is hurt government revenues. But thos restrictions were eased last year with the government pledging thousands more jobs to appease protesters after weeks of demonstrations against corruption and the failure of the state to deliver employment and essential services. If public hiring remains uncontrolled, “we will drown and we will reach a stage where we cannot pay any expenses for services”, Mr Zurfi said.

Although, Iraq has managed to pay salaries despite past shocks, Mr. Maleki of the Iraq Energy Institute said it could be harder now because a \$5.3 n credit line agreed with the IMF in 2016 had elapsed and global markets were in turmoil. Mr. Zurfi is the second man to be appointed prime minister designate this year, after the previous premier resigned in the face of mass anti-government protests. Mr. Zurfi has <2 weeks to appoint a cabinet. This story has been corrected to show that Iraq’s 2016 IMF credit line was worth \$5.3 not \$5.6n as in the earlier version as shown in Fig. 1.

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On top of that Iranian backed militias still launch regular attacks on American troops the latest on Thursday when two rockets landed near the American Embassy in the Green Zone-threatening to drag Iraq deeper into the cross-hairs of Iranian-American hostilities. These are the worst days we behave lived through in Iraq, a military veteran. The Iraq-Iran war, the uprising, Saddam Hussein but these days are worse.

A strange silence has descended over much of Baghdad, a capital of eight million people. The high ways out of the city are mostly free of cars because of travel restrictions and on Friday when most people are off work, the usually crowded parks were empty thanks to the curfew. Iraq had 547 confirmed cases of the coronavirus by Sunday but has been doing extremely limited testing. The true number is thought to be many times greater.

BEIJING’S RELATIONSHIP WITH IRAQ’S VITAL ECONOMY (OIL)

This is at a time when the US is just beginning to see the full onset of coronavirus mayhem. There has been no clearer sign of this move by China than last week’s awarding of a US\$203.5 million engineering contract for Iraq’s supergiant oil field, Majnoon to the little known China Petroleum Engineering and Construction Corp (CPECC). With the US’ focus increasingly on fire-fighting the coronaviru outbreak at home, Beijing has good reason to believe that it has largely a clear run at target country Iraq, provided that it does not stick it too much in the US’ craw. This specifically means continuing to develop oil and gas field opportunities in geopolitically ultra-sensitive areas such as Iraq on the basis of rolling contracts for specific work undertaken by companies that are not top of the US’ radar, like CPECC.

Majnoon is a key focus in Iraq because it has so much oil that its very name in Arabic means ‘insane’ to signify the insane amount of oil that has always been present there. Before the US noticed that China was stealthily acting hand in glove with Russia to provide the

money where the muscle had been put in place, the ever fractious senior Iraqi politicians had offered China a stunningly lucrative deal for the development of the Majnoon field. Specifically, the terms of the deal were that China would obtain a 25 years contract but one that would officially start 2 years after the signing date. This would allow China to recoup more profits on average per year and bless up front investment. China National Petroleum Corporation (CNPC) but also it was the very same company that was recently awarded exactly the same type of contract (US\$121 million for 'engineering work' that time) for Iraq's supergiant West Qurna-1 oilfield also located very close to Iraq's principal oil hubb of Basra.

METHODS, SOLUTIONS AND RECOMMENDATIONS

The current economic situation is worse than what we have seen before because all productive sectors have been suspended. There is no industry no tourism, no transportation and to some extent agriculture is affected as well:

- Suspension of tax collection deadlines
- Establish a system for compensation for job losses for low-wage workers
- Create a fund to support affected sectors and announce the Coronavirus
- Sponsorship expenses related to the rehabilitation of health mechanisms
- Reducing the key interest rate
- A strong government can take control
- Work to standardize salaries and make them with one bladder and work on the issue of retirement seriously to find alternatives to retirees
- Stressing the border crossings and warning against oil smuggling
- Income sources have to be diversified
- Adjust internal policies

- Act quickly to take strict measures precautions and requirement for the return of religious tourism
- Reconsidering maps and investment avenues

CONCLUSION

Iraq could not develop anything if this country do not depend and find a way to applied above recommendations and follow this strategy: take advantage of offers from the United States, China and work to find competition and temptations for companies to invest in non-oil fields work to find a ground for German companies and benefit from German experiences in construction. Reducing state or Iraqi government banks. Supporting national products and creating partnerships with and attracting Foreign giant companies.

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