



## **Iraq's Relations with its Arab Neighbours and Iran: Quest for a Pragmatic Balance**

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Iraq, like other countries in the region created in the Post World War I colonial division of Ottoman territories, had to struggle to construct a country based identity, albeit in an authoritarian context up until 2003. Situated in a regional Arab system constituted not just by commonalities of language, religion and culture etc but also their shared history under Islamic and Ottoman rule; the external behaviour of both monarchical and republican Iraq was determined by the goal of regime security, countering the transnational ideological challenges to domestic structure of power and maintaining the regional status quo. In an authoritarian set-up, where bulk of the people did not have any influence on policy formulation and decision making, the Iraqi leadership took a militaristic approach to external challenges, catapulting Iraq to the status of strategic counterweight against revolutionary Iran. Saddam Hussein projected Iraq as the defender of the Arab nation in the eight year long war with Iran, in which it was supported by all the Arab countries with the exception of Syria and Libya. However, the Iraqi invasion of Kuwait in 1990 and the subsequent military rout of Iraq reduced the country to the status of a pariah, as Iraq was put under stringent sanctions and boycotted by its neighbours.

Having faced the threat of territorial dismemberment in the face of the Islamic State in Iraq and Syria (ISIS) and have withstood the perils of internal fracture during sectarian insurgency and Kurdish secessionism, Iraq's democratically elected leadership is increasingly realising the impact that regional rivalries have on the centrifugal forces within the country. Iraq's re-engagement with its Arab neighbours, while maintaining its ties with Iran, seeks to position Iraq as a country that does not exacerbate the security concerns of its neighbours and instead pursues a pragmatic policy of fostering economic integration with them. This paper examines the shifting dynamic in Iraq's relations with Iran and its Arab neighbours. Focussing on the conditions enabling Saudi-Iraqi rapprochement in early 2017, the paper argues that the imperative of

building a unified democratic state transcending the sectarian schisms which allowed forces like ISIS to gain ground is leading Iraq to adopt a pragmatic foreign policy orientation of reducing dependence on Iran, while deepening relations with its Arab neighbours.

### **Iraq-Saudi Rapprochement: From Containment to Cooperation**

The US removal of the Ba'hist regime eliminated a major military counterweight against Iran, tilting in Iran's favour the balance of power in the Gulf region. The rise to power of Shi'ites in Iraq coupled with Iranian agenda of challenging the regional status-quo alarmed the conservative monarchies in the region, who responded by securitising the sectarian divide. They argued that the political empowerment of Shi'ites in the Arab world would translate into expansion of Iranian influence in the Arab world, threatening the survival of conservative regimes allied with the United States. As the Shi'ite led government in Baghdad failed to assert its authority in Sunni dominated areas, Gulf monarchies, especially Saudi Arabia and UAE, were widely seen as supporting Sunni insurgency in Iraq.

The Saudi support for insurgency in Iraq was reversed as the Islamic State of Iraq and Syria (ISIS) emerged from the anti-Assad uprising in Syria and remains of Ba'hist and Al- Qaeda elements in Iraq, threatening to dismantle the existing state-system to establish a modern-day Islamic Caliphate. The ground for Saudi-Iraqi rapprochement was created by the exit of pro-Iran sectarian Prime Minister Nuri al-Maliki, who was replaced by a moderate fellow Dawa party member, Haidar al-Abadi. Responsible for carrying out the difficult job of reclaiming Iraqi territory from the ISIS and transforming a failing state into a unified one, Abadi was backed by the United States and Grand Ayatollah al-Sistani to form an inclusive government. Furthermore, deepening schisms among Iraq's Shi'ite political parties led certain Shi'ite political leaders, such as Muqtada al-Sadr to reach out to Iraq's Arab neighbours with the sole intention of projecting themselves as Arab and nationalist in comparison to those seen as pro-Iran.

Saudi outreach to Baghdad, with diplomatic relations resumed in early 2016 after a gap of a quarter of a century, also dovetailed with the assertive strategy adopted by King Salman in countering the influence of Iran. As the nuclear agreement between Iran and the five world powers including United States led to a growing sense in Riyadh that its security interest were no longer protected in Washington, the Saudi kingdom started bracing itself for the post-agreement world. Trump administration has been more sympathetic to Saudi concerns about what it calls as Iran's destabilising influence in the region, therefore supporting Saudi efforts in Baghdad, has become a key component of Washington's push back strategy against Iran. Rex Tillerson, then Secretary of State, was present at the October 2017 meeting between Prime Minister al-Abadi and king Salman in Riyadh where the Saudi-Iraqi Coordination Council was announced for long-term engagement and boosting ties on all levels. In order to promote trade and investment between the two countries, "the two sides reached an agreement on the opening of border ports and the development of seaports, roads and border areas, and also agreed to review the agreement for customs cooperation between the countries, and to study having a zone for trade exchange between the two countries."<sup>1</sup>

The Saudi Iraqi rapprochement received additional impetus from the Crown Prince Muhammad bin Salman's initiative to return the Saudi Kingdom to moderate Islam, aimed at not only countering the threat posed by Sunni extremism and ISIS to domestic and regional order, but also to improve the image of the kingdom internationally. As the Kingdom sought to discredit Iran by accusing it of carrying out a sectarian project of supporting militias in the Arab world, the visit of Iraqi Shi'i cleric Muqtada al-Sadr to Saudi Arabia and Saudi proposal for opening a consulate in the Shi'ite holy city of Najaf were about projecting Saudi kingdom as a constructive player in a region torn by sectarian strife. Saudi engagement with Sadr, a populist leader who successfully politicised popular frustration with pro-Iran Shi'ite Islamist parties ruling the country since 2005, sought to exploit Iraq's intra-Shi'i rivalry to support Saudi strategy of rolling back Iranian influence. Following his visit to Saudi Arabia in July, 2017, Sadr's office announced that the kingdom was to donate \$10 million to rehabilitate Iraqi displaced by war against Daesh.

Iraq's Gulf neighbours struck a rare opportunity when Iraq's southern provinces were rocked by massive protests after Iran, citing unpaid bills and rise in Iranian consumption during summer, stopped supplying electricity to Iraq. Saudi Arabia offered Iraq triple the amount of electricity Iran was supplying and at a significantly lower price. Kuwait, alarmed by the volatile situation in Basra, supplied oil to re-operate power stations that had gone out of service.

The Iraqi government is looking at Saudi Arabia as an important source of investment in its power infrastructure. Basra known as the energy capital of the country is at the centre of these efforts. At Basra Oil and Gas Conference and Exhibition in December last year, Kingdom of Saudi Arabia was the guest of honour. At the conference, Petrochemical giant Saudi Basic Industries Corporation (SABIC) announced opening of its office in Iraq. Saudi and Iraqi companies signed 18 memorandums of understanding (MoU) in the fields of energy.<sup>2</sup> Iraq, given its geographical disadvantage of being virtually landlocked is totally dependent on Um Qasr port in Basra from where Iraqi crude is exported via Strait of Hormuz. Therefore, it has long sought alternative routes to reach international markets. The pipeline connecting Basra with Saudi Red Sea port of Yanbu, built with Iraqi money during the Iran-Iraq war, was blocked when Iraq invaded Kuwait. Notwithstanding Baghdad's keenness in developing alternative routes, the long distance between Basra and Yanbu and the high expenses in reviving the pipeline have led both sides to drag their feet.<sup>3</sup> However, Jordan and Iraq are cooperating to make twin oil and gas pipeline from Basra to Jordan's Aqaba port. According to reports China Petroleum Pipeline Bureau might participate in the project, which will allow Iraq to transport million barrels of oil per day (bpd) of which 1,50,000 bpd would be enough to meet Jordan's demand, making the balance available for export.<sup>4</sup>

Iraq's Arab neighbours including Saudi Arabia, Jordan and Kuwait have also taken steps to challenge Iran's dominance in Iraqi market. Iran is currently Iraq's top trading partner, with an annual turnover of about \$12 billion. After Iraqi forces secured the 550 highway from border to Baghdad from ISIS militants, Jordan and Iraq quickly worked out customs and border arrangements and opened the border crossing for trade. Given that the vast desert province of Anbar straddles Iraqi border with Jordan, the two countries signed a military and cooperation agreement aimed at exchanging expertise and information on border protection, as well as

improving intelligence capabilities and combating terrorism in all its forms.<sup>5</sup> At the Kuwait International Conference for reconstruction of Iraq, Saudi Arabia pledged \$1 billion loan through Saudi Fund for Development and \$500 million in export credits.<sup>6</sup>

### **Iraq-Iran Relations: from dependence to dignity**

Since the Islamic revolution upended Iran's security dependence on the United States, Iran has sought to provide its own security, while challenging the American dominated order in the Gulf region. Therefore, when American invasion of Iraq removed a regime that posed threat to Iranian security and was aspiring for hegemony in the Persian Gulf region, having a government sympathetic to Iranian goals in the region, became Iran's strategic goal *vis-à-vis* Baghdad. The importance attached in Tehran to as to who governs Iraq and its influential role in deciding the same was underlined in 2010 parliamentary election. After Iraqiya National Movement led by Ayad Allawi, seen as close to Washington, won the largest number of seats, Iran brokered a deal between second and third-placed parties of Nuri-al-Maliki and Ammar al-Hakim, displacing Allawi in favour of pro-Iran Maliki.

Iran's support for Nuri al-Maliki, widely seen as a sectarian figure coupled with Iran's apparent interference in Iraqi democratic process gave rise to anti-Iranian sentiment among certain sections of Iraqi population, including Shi'i. Nevertheless, Iranian influence in Iraq rose manifold when the collapse of Iraqi security forces in the wake of swift advance by the ISIS, made Prime Minister Maliki to reach out to Iran. As Saudi Arabia blamed PM Maliki's sectarian policies as responsible for the rise of ISIS, sensing the impending threat to the physical survival of Iraq, Iranian Revolutionary Guards' elite Quds Force assumed the crucial role of training the Shi'ite paramilitaries mobilised on the call of Iraq's top Shi'i cleric Ayatollah Sistani. Lacking the ability to defend its territorial integrity, the Shi'ite led government in Baghdad became dependent on Iran. For its part, Iran attaches strategic importance to the survival of Iraq as a nation state. These powerful Iran-backed paramilitaries also led the federal takeover of oil-rich city of Kirkuk, effectively foiling the Kurdish independence bid.

After Baghdad took over the Kirkuk oilfields, an oil swap deal agreement with Iran allowed Iraq to truck 30,000 to 60,000 bpd to Iran's Kermanshah refinery and Iran was to release similar amounts at its southern ports for export. The deal became operational earlier this year. Under increasing pressure to comply with its sanctions on Iran, the newly elected government led by Abdul Mahdi articulated a principled position prioritizing its own interests and independence. However, the oil trading strategies of Iraq and Iran seem to be on diverging trajectories. In previous months Iraq was able to increase its oil exports from its southern ports by a record high of 1, 50,000 bpd, which not only allowed it to offset the shortfall from the North but also to temporarily halt export of Kirkuk oil to Iran on the pretext of using it for domestic consumption.<sup>7</sup> As Iranian oil exports are slated to decline under the impact of the US sanctions, Iraq as the OPEC's second largest producer is expanding its output capacity to stabilise markets and is expected to dominate Iran's market share. Suspecting that Iran might export its oil from Iraqi ports, appearing as Iraqi oil in international markets, US not only denied Iraq waiver to import or swap Iranian oil, it is working with Baghdad on opening Kirkuk oil fields so as to compensate for the cut-off of Iranian oil.

As of now Iraq remains the biggest importer of electricity from Iran and is also dependent on Iranian natural gas for power generation. Two gas pipelines from Iran feed Iraqi power plants in Baghdad and Iranian-built Rumaila power plant in Basra. Given the soaring demand for electricity had fuelled violent protests across the country this summer, Iraq has received a temporary waiver from US sanctions on Iran and would continue importing Iranian gas and electricity. In the absence of necessary processing facilities, Iraq flares off the gas that comes as by-product from its oilfields. In order to wean off itself from power dependence on Iran, Iraq's state-run South Gas Company is working with Royal Dutch Shell on Basra Gas Co. (BGC) a \$17 billion, 25 year project which will boost Iraq's gas output there to 1.4 billion cubic feet a day by 2020.<sup>8</sup> In a separate deal Kuwait Energy PLC brought on stream the first gas field in Iraq's south, when it started producing gas from Siba, near Basra. These projects with Arab neighbours and western partners underline Iraq's resolve to reduce its dependence on Iran. Nevertheless, as Iran comes under increasing economic pressure from the US sanctions, it will try to maintain its pre-eminent presence in Iraq. Last month in October, Iraq overtook China to become Iran's top non-oil export market.

### **Conclusion**

As the democratic Iraqi leadership strives for popular legitimacy by not only rebuilding physical infrastructure but also a coherent Iraqi national identity transcending ethnic-sectarian divisions that virtually threatened Iraq's survival as nation state, its chosen path seems to be of that of balanced foreign policy rather than joining opposing blocs in the abiding geopolitical rivalries in the region. Iraq's new Prime Minister Abdul Mahdi, who contested May, 2018 parliamentary elections as an independent candidate, has argued that he would prioritise Iraq's interest and independence when it comes to dealing with growing confrontation between Tehran and Washington.<sup>9</sup> In order to reduce its security and economic dependence on Iran, especially in light of the re-imposition of American sanctions on Iran, Iraq seem to be finding a common cause with its Arab neighbours, who are also keen to work with a government in Baghdad that does not harbour ideological affinities with the Shi'ite theocracy in Iran.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.*

### **Endnotes**

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