Walking a Tightrope in Baghdad
The ‘New’ Iraq between Sovereignty and Iranian Influence

Iraq became a central power in the Middle East after its rise to the status of a major oil producer. Its influence, however, declined during the rule of Saddam Hussein, who was finally overthrown by a U.S.-led coalition in 2003. During Saddam’s leadership, Iraq initiated two regional wars, including one with Iran in which it employed chemical weapons. Baghdad’s aggressive foreign policy resulted in international sanctions against the country, inflicting severe economic damage and dramatically worsening humanitarian conditions for the population. By the time Saddam’s regime succumbed to the Western intervention, his rule had polarized the country so much that its social fabric broke up. The ensuing inter-ethnic violence during the past decade has downgraded the country to the status of a semi-failed state.

Yet, as much as Iraq’s regional role has receded, it remains an important player in the Middle East by virtue of its potential for economic growth and its role as a possible mediator in matters of regional security. As a successor to an aggressive regime, whose crimes emphasized the necessity to ban weapons of mass destruction (WMD) and to establish a common security system for peace and cooperation, the ‘new’ Iraqi republic’s course of action deserves special attention. Viewed closely Iraq’s current position is promising and raises the possibility that the country might positively contribute to the planned Middle East Conference, envisaged in 2010 by the Nuclear Non-Proliferation Treaty Review Conference, to change the regional security situation for the better and contribute to the establishment of a zone free of weapons of mass destruction and their delivery vehicles (DV). For example, at the summit of the Arab League in March 2012 and at the P5+1 talks on the Iranian nuclear program in May 2012, the Iraqi government voiced its support for regional security cooperation and signed a declaration against WMD. Additionally, in October 2012 Iraq ratified the Additional Protocol to its Comprehensive Safeguards Agreement with the International Atomic Energy Agency, thus strengthening arms control efforts in the region. These contributions represent important progress and signify Baghdad’s peaceful orientation. Potentially this could have a major impact on other actors if Iraq’s prestige as a leading nation could be reclaimed – a goal that is currently associated with a successful expansion of the oil industry.

Iraq’s Regional Policy and Iranian Interests

However, a sustainable economic reconstruction requires a successful reconciliation between the new Shiite administration and the Sunni minority that was once the backbone of the state. This problem is closely connected to differing regional allegiances and complicated by Iraq’s close ties to the Islamic Republic of Iran. Indeed, the country’s future development, as well as its stance on regional security issues today, depends heavily on its relations with its Eastern neighbor, which became the dominant influence in Iraq after the withdrawal of American forces in December 2011. Since the regime change in 2003, record volumes of trade between the two countries have ensued. Politically, Baghdad’s peaceful orientation. Potentially this could have a major impact on other actors if Iraq’s prestige as a leading nation could be reclaimed – a goal that is currently associated with a successful expansion of the oil industry.

In order to understand the complexities of Iraqi politics in its current state of post-American sovereignty and Iranian interference, this Policy Brief analyzes the Islamic Republic’s military, political, and economic influence on the country. It will demonstrate that the tensions resulting from this bilateral relationship play an important role in Baghdad’s efforts to develop a foreign policy based on neutrality and the peaceful resolution to regional conflicts.

This Policy Brief also suggests how Iraq could profit from its close connections with Iran, its status as an Arab state, and its special relations with the United States. This composition provides the country with an opportunity to facilitate cooperation on issues of regional security – it could even become a regional mediator. The greatest challenge to such a course is certainly Iraq’s domestic instability.
**Box No. 1: The Current U.S. Engagement and Presence in Iraq**

The overthow of Saddam Hussein and the subsequent rise to power of Iraq's Shiites backed by Iran sparked a confrontation about the future alignment of the country that has lasted well over eight years. When the Americans withdrew in December 2011, the U.S. government appeared confident that it had prevailed. President Barack Obama declared: “As of January 1st, and in keeping with our Strategic Framework Agreement with Iraq, it will be a normal relationship between sovereign nations, an equal partnership based on mutual interests and mutual respect. [...] This will be a strong and enduring partnership.”

However, increasing Iranian influence in the country has resulted in a different scenario in which the U.S. has lost much of its authority. Although the Strategic Framework Agreement of 2008 envisaged an intensified political cooperation after the military withdrawal, a deeper relationship is lacking: while $48 billion was allotted to Iraq in the budget year 2011, efforts by the U.S. Congress to cut spending eventually reduced it to less than eight billion. These resources are used primarily for civilian development – promoting agriculture and private corporations, instruction of the police and the judiciary, advice for administrative and educational reforms as well as contributions for refugees. Yet, much of the funds are tied to the support and the protection of American facilities and personnel.

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The U.S. Embassy in Baghdad. Source: U.S. Department of State

The State Department spends more than $2 billion to operate its embassy in Baghdad and its consulates in Erbil, Basrah, and Kirkuk. In October 2012, the department had 1,075 diplomats, 3,826 security personnel, and about 11,000 other support staff based here. Closely attached are the offices of the United States Agency for International Development, which host 95 staff members inside Iraq. It holds $3 billion for its various programs. Apart from this civilian presence there are currently 240 U.S. soldiers still working as specialists in the Office for Security Cooperation (OSC-I) in Baghdad. They are scheduled to leave the country or to be integrated in the Iraqi Prime Minister’s office by the end of 2013. The military personnel exercise no tactical authority. Rather, their task is the overall consultation of the Iraqi army – particularly in its struggle against terrorist organizations. Their efforts also consist in the training of Iraqi officers and pilots, technical assistance, and primarily in the arrangement of armament sales.

Aside from the ongoing cooperation, regular talks are being conducted on cabinet and department levels. However, the U.S. government has been very reluctant to steer political events in Iraq. Washington intervened directly only in autumn 2012 to mediate a conflict at the internal Kurdish-Arab-border.

Tehran has become the dominant foreign player in Iraq, even in domestic politics, gaining the position of a kingmaker during the formation of the Iraqi government in 2008. In the security sector the Iranian influence has also increased, culminating in a common defense agreement in October 2012. Thus, the significant influence of the Islamic Republic in Iraq assures Baghdad’s assistance with its regional agenda.

Nevertheless, Iranian influence is not absolute and the Iraqi government has shown its willingness to exercise its sovereignty against its powerful neighbor. It has maintained relations with the United States government to profit from its continued military, diplomatic, and financial support. Walking the tightrope between Western and Iranian interests is increasingly difficult because of exacerbated tensions in the region, especially the continuing violence in Syria and the dispute over the Iranian nuclear program. Up to now, Prime Minister Nuri al-Maliki has successfully balanced the opposing demands of the U.S. and Iran (at least rhetorically) by asserting an overtly neutral position. This difficult course might even hold some future potential as Baghdad’s close connections with Tehran and its special relations with Washington may provide the chance to take on a mediatory role.

**Outline of This Policy Brief**

However, to predict Iraq’s foreign and security policy and its participation in a future Middle East Conference on the establishment of a WMD/DVs Free Zone, it is necessary to understand the motives, interests, and character of the Iranian involvement in Iraq. Hence this Policy Brief sets out to analyze the influence of the Islamic Republic in Iraq, starting with the fundamental factors that made the rise of Tehran’s influence possible. It further describes the military, political, and economic assistance of Iran and how this is linked to specific Iraqi needs. In addition, the consequences of foreign influence shall be pointed out. Lastly, this Policy Brief offers recommendations for advancing a positive development in Iraq and the region.

**Fundamental Factors for the Iranian Influence in Iraq**

In its political involvement in Iraq, Iran could build upon favorable conditions. It

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was thus able to participate in the makeover of the political system after the downfall of the Baath regime.

The Ethno-sectarian Divide in Iraq

In light of the historically hostile relations between the two neighboring countries, Iran's relevance for Iraq is mildly surprising. The Iraqi state, founded under British protection in 1920, inherited the previous Ottoman-Persian border disputes, which eventually reappeared in clashes at the Shatt al-Arab in the 1970s. The re-conquest of alleged Iraqi territory provided a pretext for the Iraqi assault on Iran in September 1980. During the following eight years of war, over one million people lost their lives and mutual resentment was widespread.

Saddam Hussein helped internalize the conflict by expelling Iraqis with Iranian passports or Persian ancestry. Many of his internal opponents were branded 'Persians' and executed. The distinction between 'real' Iraqis and 'Persians' provided the ideological basis for the massacres against tens of thousands of Shiites, who rose up against the dictator in 1991. Simultaneously, the Sunni population was increasingly integrated into the security services of the regime. This foreshadowed the later sweeping condemnation of the Sunnis as loyal 'Baathists'.

For its part, the Islamic Republic encouraged Saddam's distrust of his own people. During the First Gulf War in the 1980s, the Iranian government continuously called on the Iraqi Shiites to rise in rebellion against their leader. Out of the ranks of the exiles and refugees all-Iraqi military units (Badr-Brigades) were formed, who fought to rid their country of its 'infi del' regime. Iran even created an Iraqi shadow government in the form of the Supreme Council for the Islamic Revolution in Iraq (SCIRI). Additional support for other opposition groups during the 1980s and 1990s helped establish good relations towards the Islamic Dawa Party and the two Kurdish parties, KDP and PUK. To a great extent, the opposition operated covertly against the regime from the outside, building up small networks of support inside Iraq itself. Thus, in contrast to the U.S.-backed Iraqi National Congress (INC) of Ahmed Chalabi, which remained an umbrella organization without any following in Iraq, the Iranian allies had a real assistance on the ground.

American Plans for Democratization

The American debate about invading Iraq and deposing Saddam Hussein provided an opening for Iran. With his promise for democratic change in post-war Iraq, U.S. President George W. Bush raised the prospect of a legitimate government takeover by the Shiite majority population. This encouraged existing tendencies to concentrate political activity in ethnic parties. In Washington, exiles demanded a future democratic representation proportional to the Iraqi ethnic communities. This accommodated the Iranian interest in promoting the Shiites.

By the spring of 2003, Iran was in a position to influence political developments in Iraq after the destruction of the Baathist dictatorship. Nevertheless, Tehran viewed the upcoming war with concern, as American forces would be stationed on its own Western border, which could result in military conflict. In the long-term, a hostile Iraqi regime, protected by the United States, was also a possibility. In the opinion of its spiritual leader, Ayatollah Ali Khamenei, Iran had to guard against such threats with an 'active policy': the American war aims should be thwarted and a pro-Iranian government should be installed in Baghdad. A replay of the Iran-Iraq War had to be ruled out for the foreseeable future. The key to these objectives was enhancing the power of the Shiite opposition parties.

After the start of the U.S. military campaign around 1.5 million Iraqi refugees returned from Iran. They were joined by Iranian agents, the 10,000 soldiers of the Badr-Brigades, guerilla fighters of the Dawa Party, and exile politicians. In the chaos following the collapse of the regime they could offer humanitarian assistance and protection, which allowed them to broaden their political networks and to gain entry into local administrations. An Iraqi observer has described: “From the..."
Shiite Electoral Success

Shiite-Islamist parties triumphed in the vote on the national assembly in January and the parliamentary elections in October 2005 as the U.S. administration had feared. Prior to the voting, the different parties had seized on the advice of Tehran to join their forces. With the advocacy of Ayatollah Ali al-Sistani, the highly esteemed head of the leading Shiite-Islamist University, or Hawza of Najaf, formed a coalition. The new United Iraqi Alliance (UIA) successfully transferred the demographic advantage of the Shiites, according to the ethno-sectarian division, into 41 percent of the votes. The UIA was able to form a governing coalition with the Kurdish parties, leaving out the Sunnis who lost their entire political influence. For Iran, the election result was a great achievement – the installation of pro-Iranian forces had worked out.

First Conflicts of Interest between Baghdad and Tehran

The success of the UIA revealed for the first time tensions among the various Shiite groups and their distance from Iran. In particular, the Supreme Council for the Islamic Revolution in Iraq and the newly formed party of the young cleric Muqtada al-Sadr came into conflict. While SCIRI disqualified al-Sadr as an unpredictable agitator, who had instigated a useless rebellion against the American occupation, the nationalist Sadr decried the collaboration of SCIRI with the U.S. and raised doubts about its patriotism due to its allegiance to Iran.

This widespread critique did not subside even after SCIRI modified its position in October 2004. In an interview Chairman Abdul Aziz al-Hakim expressly distanced himself from Tehran, assuring the public that his party represented Iraqi interests. Due to the rejection of the teachings of Ayatollah Khomeini among the Marjas (the leading clerics of Iraq), Hakim reserved himself, abandoning the party's goal of instituting a government led by religious jurists (velayat al-faqih) along the lines of Iran's constitution and instead approving a democratic system on the basis of Islamic values (velayat al-umma).

The formation of a cabinet proved to be another challenge for Tehran. The small Dawa Party became a mediator between SCIRI and Sadr with the result that...
Dawa’s Nuri al-Maliki became Prime Minister of Iraq. The new chief executive was known for his fragile relationship with Iran. Although Maliki did escape to Iran in 1979, where his party was supported in its fight against Saddam Hussein, he deeply felt the Iranian distrust towards Iraqis skeptical of Khomeini and the hostile sentiments during the Iran-Iraq-War. With Maliki as Prime Minister, Tehran could expect sober and independent relations.

Thus the triumph of 2005 revealed central conflicts between Tehran and the Shiite government in Baghdad: the nationalist agitation of Sadr, the emancipation of SCIRI, the rise of Nuri al-Maliki, as well as the ideological dispute between Khomeini’s Islamic state and the opinion of the Marjas around Ayatollah Ali al-Sistani. In the years between 2003 and 2011 these conflicts were papered over by common interests. For many Iraqi politicians Iran seemed to be the central partner to fight off the U.S. occupation, stabilize the new political order, and advance the reconstruction of the country. However, Tehran was not only interested in spoiling Baghdad’s integration into the Western security system, but in permanently weakening its traditional adversary in the Gulf region as well.

Factors of Iraqi Need and Iranian Assistance

In the years after 2003 Iran appealed to its common interests with Iraq to steer the political process in the country. Yet, Iranian access depended on the ability to provide assistance to Iraqi rulers.

Money, Weapons, and Training

The military cooperation between Shiite militias and the Iranian armed forces is a major point of Iranian influence. The Iraqis received money, weapons, and training. In return, the Islamic Republic gained ever-greater influence over its neighbor’s security. Prior to that, in April 2003, the foreign department of the Iranian Revolutionary Guards Corps, the Quds-Brigade (IRGC-QF) began to support aggressive groups in Iraq. At first this was limited to instigating riots. After open revolts broke out along the Euphrates and in southern Iraq in March 2004, Iranian weapons were smuggled into the country. IRGC-QF could use the old networks of the Badr Organization, which became the most important distributor for armaments.

In addition, IRGC-QF together with the Lebanese Hezbollah began to set up training camps for instructing Iraqi fighters. These measures strengthened connections with various armed groups, especially with the militia of Muqtada al-Sadr, the Jaish al-Mahdi. This organization grew into a mass movement of about 10,000 fighters, which controlled wide parts of southern Iraq. But the great success of the militia, whose leader bristled Iranian attempts to direct his course, lead the IRGC-QF to support splinter groups, which became more engaged in ethnic violence against Sunnis than in fighting the occupation. These included the faction Asaib Ahl al-Haqq under the leadership of Sadr’s former secretary Qais al-Khazali. In addition, the Jaish al-Mukhtar under Wathiq al-Battat was established, who in February 2013 proclaimed the struggle against Sunni opposition as its main task. The group has its roots in the organization Kataib Hezbollah, which was supported by IRGC-QF by high quality equipment. This association was set up in 2005/2006 and is lead by Abu Mahdi al-Muhandis, a former officer of the Badr-Brigades with good connections to the commander of IRGC-QF, Qassem Suleimani.

However, over time the ambitions of the militias presented Tehran with a dilemma, since the various groups competed against each other. Thus, the armed wings of SCIRI, Sadr, and Dawa established zones of influence in the provinces and even across the ministries of the central government in Bagdad. Finally, open turf battles ensued like the violent clash between SCIRI and Sadr militiamen in the holy city of Karbala in August 2007. In March 2008, Nuri al-Maliki even deployed newly trained army units against the Jaish al-Mahdi in Basra and Baghdad, which resulted in the dissolution of the famous militia and the flight of Muqtada al-Sadr to Iran. A precondition for this success had been the massive support by the United States, who promoted the build-up of a professional Iraqi army and the expansion of the central authority within the new counter-insurgency strategy and the troop increase of the surge.

In both cases IRGC-QF could not prevent the escalation among the Shiite parties. During consultations in Tehran IRGC-General Suleimani was only able to commit all factions to a truce. This was not enough to save the election platform.

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Box No. 3: The Shiite and Kurdish Parties in Iraq

Al-Majlis al-Aala al-Islami al-Iraqi (Islamic Supreme Council in Iraq – SCIRI/ISCI)

During the First Gulf War, Iran encouraged the foundation of an Iraqi opposition party against Saddam Hussein. As a result, members of the Shiite community under the leadership of the al-Hakim family established SCIRI as a shadow government. The organization embraced the Islamic revolution as a model for Iraq. However, in 2004 the party distanced itself from the idea of a rule of Islamic jurists (velayat al-faqih). Nevertheless, the party’s association with Iran led to electoral defeats in 2009 and 2010. Still, due to its good relations with the clerical establishment and the Kurdish parties, it remains an important factor for the political developments within Iraq.

Manthama Badr (Badr Organization – Badr)
The Badr Organization was established as a military formation by Iraqi exiles to fight against their countrymen during the First Gulf War. In the 1990s the organization was used for covert operations by Iranian intelligence. After 2003 some of its personnel was integrated into the new Iraqi security forces. In 2006/2007 the Badr Organization was accused of operating death squads against Sunni civilians. Over time, the Badr Organization found itself estranged from its long-time political ally, SCIRI, and founded its own independent political party.

Tayyar al-Sadri (Sadr Movement – Sadr)
The Sadr Movement emerged in the 1990s as a countrywide welfare organization. Its founder, Ayatollah Saeed al-Sadr, was highly esteemed for his integrity and his open resistance to Saddam Hussein. After his murder, leadership passed to his son Muqtada, who allied himself with Iran to fight the American occupation. However, the other Shiite parties and the clerical establishment quickly disassociated themselves from the militant movement with its social revolutionary image. Isolated, Muqtada al-Sadr eventually dissolved his militia, the Jaish al-Mahdi. Still, in the elections of 2010 and 2013 its political movement received great support.

Hizb al-Dawa al-Islamiyya (Islamic Mission Party – Dawa)
The Dawa Party was founded by Shiite clerics in 1957 to represent farmers and the poor. Before the First Gulf War the party was labeled a pro-Iranian organization and violently suppressed. While some Dawa leaders had been sympathetic to Ayatollah Khomeini during his exile years, in general the party rejected the model of a theocratic government for a democratic system (velayat al-umma). Nevertheless, Iran supported the party’s armed resistance against Saddam Hussein. After 2003 the Dawa Party became a mediator between the Shiite parties, a position that led to its rise as the dominant Shiite party under Prime Minister Nuri al-Maliki.

Partiya Demokrata Kurdistan and Yeketi Nistimani Kurdistan (Kurdish Democratic Party and Patriotic Union of Kurdistan – KDP/PUK)
The relationship between Iran and the two Kurdish parties in Iraq dates back to the 1970s, when the Shah’s government supported the Barzani rebellion against Saddam Hussein. During the First Gulf War, Iran again sought cooperation with the Kurds and instigated a confrontation between them and the regime. This triggered a ruthless Iraqi military campaign, culminating in the massacres of the Anfal Campaign. After their defeat, the Kurds could draw on a direct Iranian military intervention for their protection. The creation of the UN no-fly zone for northern Iraq in 1991 and the eventual formation of the Kurdish Autonomous Area (KAR) lead to extensive economic exchange. Nevertheless, Iranian border raids against Kurdish guerrillas, who have fought to liberate the parts of their homeland under Tehran’s control, underscore conflicting Kurdish and Iranian interests.

between al-Hakim, al-Sadr, and al-Maliki: the Prime Minister resigned from the all-Shiite UIA and announced the constitution of his own list for the national elections in March 2010. Iran’s main achievements in Iraq, to focus the militias on the fight against the Americans and to maintain the political unity of the UIA, had now failed. The rise of the central state under Nuri al-Maliki even cast doubts on the feasibility of the goal to weaken Iraq for the long-term. Along with it, talks for a prolonged American military presence beyond 2011 signaled the formation of a strategic partnership between Washington and Baghdad.

Iran increasingly sought to expand its military relations with the remaining militias. Especially in 2010, armament deliveries to Kataib Hezbollah and Asaib Ahl al-Haqq were intensified to support their attacks against American soldiers and to force a U.S. retreat from Iraq. Even the formation of a new Sadrist militia, the Liwa al-Youm al-Mawud, received Iranian assistance. Yet, in contrast to their previous dominance, the paramilitary units did not compete with the reconstructed Iraqi army but instead worked as guerrilla forces. In maintaining its contacts with militant Shiites, Iran has preserved the capacity to exercise its influence in Iraqi politics by the use of force. Furthermore, Iran has gained the opportunity to employ the militias in regional operations, which is demonstrated by the arrival of Asaib Ahl al-Haqq and Kataib Hezbollah in Syria.

Financing of Parties and Mediation

Tehran’s influence became a constant in the Iraqi political system in the aftermath of the democratic transformation of 2004/2005. The new rulers from the Shiite-Islamic parties recognized Iran as their most reliable protector against all potential revanchist tendencies among the Sunnis. The Islamic Republic’s financial and organizational support had set the basis for their ascent and its mediation was instrumental in forming the UIA. Finally, from 2005 onwards, the good Iranian relationship with the Kurdish parties assured their cooperation in the governing coalition. After the twists and turns of 2008 – armistice of the Sunni rebels, the destruction of the Sadr militia, and the restoration of a functioning army and police force – Iranian assistance seemed to be dispensable, even counter-productive.

In the provincial elections of January 2009, nationalist voters punished Sadr and SCIRI (after a name change now ISCI) at the polls for their association with Tehran. Problematically, Nuri al-Maliki reacted to the mood of the electorate by quitting the
UIA. Instead of taking Iranian campaign assistance or requesting its function as mediator, the Prime Minister turned towards the United States, promoted reconciliation with former Baath partisans, and exaggerated himself as an Arab-Iraqi nationalist. 10

Before the parliamentary elections in March 2010, the Iranian government tried to disrupt the Prime Minister’s conciliatory policy and to reinforce the social polarization. This succeeded by barring circa 500 mostly Sunni candidates from participating in the general election because of their connections to the dissolved Baath Party. The decision was taken by the de-Baathification commission, whose chairman was known for his close ties to Iran. 11 Sunni representatives took this interference as proof of Iranian influence over the country’s affairs. By contrast, among the Shiites the discussion aroused fear of a possible return of the Baathists and a loss of power.

This anxiety was intensified by the new Iraqiya list, whose formation was sponsored by Sunni states – primarily Turkey, Qatar, and the United Arab Emirates. The nomination of the Shiite Iyad Allawi as the chairman of the Sunni-dominated alliance helped to quell existing fears. But reference to the political past of Iraqiya’s leadership was enough to uphold widespread distrust. An advisor to the Prime Minister respectively charged that: “Allawi is a Baathist. He is not a liberal, as he claims. The same goes for Saleh al-Mutlak. The rest, Tareq al-Hashimi and Iyad al-Samarraie and Rafeea al-Issawi, are from the Islamic Party, which is part of the Muslim Brotherhood.”12

The election campaign that followed promised to split the vote along ethnic lines. Yet surprisingly the Shiite-Islamist parties were not able to repeat their victory of 2005. With just 0.5 percent ahead of the new State of Law Alliance of Prime Minister Nuri al-Maliki, Iyad Allawi’s Iraqiya became the unexpected election winner. The previously dominant force, the all-Shiite alliance (consisting of Abdulaziz al-Hakim’s ISCI and Muqtada al-Sadr’s Sadrists) came in third with 18.2 percent – six points behind their former partner Maliki. Even the Kurdish parties lost well over seven points, reaching only 14.6 percent. The result seemed to imply a change from a party system based on identity to one based on issues.

However, the government formation process quickly reversed the result of the vote, as neither Allawi nor Maliki was able to gather a majority of the vote. The eventual stalemate instantly revived Iran’s fortune and its valuable connections and its role as guardian of the Shiite majority put it in the position to mediate the matter. Just days after the 2010 election, representatives from all of Iraq’s parties traveled to Tehran to negotiate a new government. This development put Iyad Allawi, whose entourage had publicly called Iran “Iraq’s enemy number one,”13 in a bad position.

In May 2010, the party leaders Maliki, Sadr, and Hakim renewed the Shiite alliance. After further negotiations the triumvirate finally agreed in September to nominate Maliki once more as their candidate for Prime Minister. For this decision Tehran had to exert significant pressure, especially towards Muqtada al-Sadr, whose political future depended on the hospitality as well as on the financial and military assistance of Iran. The pact was joined by the Kurdish parties and later even – due to American insistence – by the Iraqiya. Yet the inclusion of the Sunnis could not conceal the fact that Iran’s political influence had been greatly advanced.

Tehran’s role in Baghdad’s decision making was made clear after the swearing-in of the new cabinet. In January 2011, Muqtada al-Sadr pressured the Prime Minister to abandon his talks with Washington about a revision of the Status of Forces Agreement (SOFA) of 2008, prolonging the American military engagement in Iraq. In view of the widespread anti-American sentiment and a possible breakup with Sadr, Maliki eventually dropped an extension of the SOFA. One year later Iran’s influence became even more evident when Sadr joined a multi-party initiative to oust Maliki and withdrew his support for the initiative only after Iran showed its intense displeasure with it.

Investments, Exports, and Pilgrims

After the end of the war in May 2003 and the re-opening of Iraq after years of isolation, Iran shored up its political influence economically. That year both countries agreed on bilateral agreements over investments and trade. 14 This stimulated local exchange in border provinces like Basra, Maysan, and Wasit where great amounts of raw oil were exchanged for...
Iranian manufactured goods. Its grave lack of electricity led Iraq to import Iranian electric power, which today amounts to 9 percent of the national demand – and in some areas the amount is significantly higher, especially in some border regions.

From the start, the Islamic Republic advanced its promising position. Iran lowered taxes on exports and raised taxes on imports, protecting domestic companies and flooding Iraq with cheap consumer goods like foodstuffs and building materials. Consequently, the trade volume between the two countries rose from $184 million in 2003 to $7 billion in 2008 mainly benefiting Iran.\(^1\) Iraqi agriculture, the second most important industry after oil production, suffered a lasting slump. The situation was worsened by a drought, partly brought about by the embankment of important rivers in Iran and Turkey. Since 2008 Iraq has thus become an importer of food.

As the dominant trading partner in southern Iraq and the second most important national presence after Turkey, Iran is

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Box No. 4: Side-effects of Iranian Influence in Iraq

**Infiltration of Security Forces**

The dissolution of Iraq’s army and intelligence services in May 2003 allowed Shiite-Islamic parties to place significant numbers of partisans in the new security forces. This trend was accelerated in 2005, when the incoming UIA-Kurdish government further purged the reconstituted services of personnel critical of their connections with Teheran. Especially Sunni Arabs were now expelled from leadership positions and replaced with Shiites loyal to Prime Minister Maliki. The most prominent victim was the Head of the Iraqi National Intelligence Service, Mohammed al-Shahwani, who had been warning against Iranian infiltration for years. This politicization ruins the legitimacy of the security forces as a national institution. Additionally, the ability of the services to protect the country against Iran is questionable. This was illustrated in 2009, when the Islamic Republic raided Iraq’s border areas and occupied the Fakka oilfields without opposition. Accordingly, IRGC General Qassem Suleimani could claim in an al-Arabiya interview in 2012: “Those two countries [Iraq and Lebanon], in one way or another, submit to the will and the wishes of Tehran.”\(^1\)

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**Weakening of Democratic Institutions**

Since the elections of 2010, the Islamic Republic has sought to undermine a Sunni-Shiite power sharing that is necessary to reconcile the country. This has led to a parliamentary standstill, which is weakening Iraq’s democratic system. The inaction of the legislature has led Prime Minister Maliki to endow the executive branch with ever-greater power. Thus, parliament lost its authority to initiate new laws, to question the government, and to appoint the top-military commanders. In addition, due to a decision by the Supreme Court, oversight of the election commission, the central bank, the media council, and the commission on human rights passed to the government. This power-grab has led to a permanent conflict between the prime minister and his multiple critics, who tried to force his resignation. However, the quarrel itself helped to mobilize public support for Maliki’s authoritarian rule: according to an opinion poll conducted by the U.S. National Democratic Institute for International Affairs, his approval rates stood at 53 percent at the height of the crisis.

**The Erosion of Economic Independence**

The success of Iranian businesses in Iraq has become a source of anger for many Iraqi farmers, manufacturers, and traders. As cheap imports ruin their livelihood and foreign investors take over construction and tourism, many perceive Iran’s economic expansion as an act of colonization. Baghdad has not been able to counter this development as the country’s reconstruction is dependent on the import of services, goods, and organized labor. This is especially true in the energy sector, where the sharp increase in demand since 2003 has resulted in chronic power shortage. To cope with its need, the Iraqi government turned to Iran for additional imports, accepting a degree of dependence on the Islamic Republic’s good will. Tehran has used this advantageous position repeatedly for political gain. Thus, in March 2008 and in June 2010, electric power going into southern Iraq was severed to force political concessions. Teheran holds additional leverage by its potential to block its neighbor’s oil exports into the Persian Gulf and to cut its oil-trade with the Kurdish Region.

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also an important factor in the financial sector. The Iranian Rial has already become an accepted currency in many parts of the country. In the banking sector, the Melli Bank, which is under special U.S. surveillance for its dealings with IRGC-QF, opened a branch in Baghdad in 2007. Other banks like the Tejarat Bank, the Export & Development Bank, Eqtesad Novin, and the Keshavarazi Bank have founded spin-offs to circumvent international sanctions. This commercial intrusion has also reached the Iraqi Central Bank, whose currency exchange is increasingly used by Iran and Syria for transferring assets and laundering money.16 The protest of the Central Bank against this misuse triggered the dismissal of its chairman, Sinan al-Shabibi, in October 2012.17

Along with its influence in trade and commerce, Iranian companies gained a large number of contracts for important infrastructural projects. In southern Iran, in the Kurdish areas, and in Baghdad, construction companies established themselves as leading providers in the housing sector, tapping into a $150 billion market. This led to the emergence of Iranian subcontractors in Iraq and to the direct acquisition of building-ground for the construction of new real estate and hotels, particularly in the holy Shiite cities of Najaf and Karbala. Here Iranian businesses, like the travel agency Schamsa, control the religious tourism, which attracts about three to four million Iranians and ten million pilgrims annually. Foreign enterprises thus profit more from tourism than the local vendors. This imbalance is not reversed by donations of Iranian welfare organizations, which contribute to the rebuilding of schools and hospitals.

After President Mahmoud Ahmadinejad visited Iraq in March 2008, Iran’s interest in its neighbor’s economy intensified. In addition to an agreement for enhanced cooperation in security, education, and ecology, both countries announced the formation of a free-trade zone in Basra. Moreover, Iranian companies were awarded prestigious contracts like the construction of a power plant in Baghdad, a new airport in Najaf, and an oil pipeline connecting Basra and Abadan. Subsequent years saw additional large-scale contracts: the construction of housing and hotels in Basra at the value of $1.5 billion, or the countrywide construction of education facilities for $230 million. Finally, the launch of a trans-regional gas pipeline project in 2011, connecting Iran via Iraq with Syria and Lebanon, demonstrated special strategic ambitions. This major undertaking at the cost of $10 billion could safeguard Tehran’s economic influence in the Arab countries between the Mediterranean and the Persian Gulf for the long term.

Conclusion – A Strong But Conflict-ridden Relationship

Over the past ten years Iraq’s new rulers have created a strong military, political, and economic relationship with Iran. Iranian influence reinforces tensions between Baghdad and the Sunni population by fostering competition among the governing Shiite-Islamist parties. Tehran’s aggressive economic policy and its support for paramilitary groups undermine Iraq’s sovereignty. This discredits the democratic system and heightens the attractiveness of a strong state executive. In sum, Iranian policies do not encourage reconciliation among ethnic and political groups or the creation of stable political and economic conditions.

The Iraqi public has voiced concern about the negative effects of Iranian involvement in Iraq. Especially in the area of economic policy, for example, its claims to the Fakka oilfields or to the offshore station Khor al-Amayah have revived widespread anti-Iranian attitudes. Possible conflicts over oil production rates and prices as well as reparation payments for Iraq’s war of aggression against Iran could spur on old resentments against the ‘arrogant Persians’. That these views are also shared by parts of the ruling Shiite elite became obvious when Nuri al-Maliki announced in 2011 that Baghdad’s triumphal arch – built by Saddam Hussein to celebrate his ‘victory’ over the Iranian foe – would be preserved and renovated. However, up to now the Prime Minister has been careful not to embarrass Tehran because his political survival still depends heavily on Iran’s assistance. In a region where the upheavals of 2003 – the end of Sunni dominance over the state and the ascendance of the Shiite majority – have not been accepted, only Iran offers reliable protection. This was underscored by the American withdrawal. As an academic observer remarked: “People in the region know they can’t count on the U.S. in the long term. […] If you’re a Shia politician, you need Iran.”18
Iraq has also demonstrated an interest in preserving its own autonomy against the Islamic Republic. The Maliki government continues its contacts with the United States and seeks better relations with their Sunni-Arab neighbors. At the prestigious summit of the Arab League, which he hosted in March 2012 in Baghdad, the Iraqi Prime Minister set out to reduce differences with the Gulf Cooperation Council. As a consequence, Iraq could settle its traditional border dispute with Kuwait and cease United Nations sanctions after 22 years. In July 2013 Saudi Arabia once more agreed to send an ambassador to Baghdad.

Bagdad's Tightrope Walk in the Syrian Civil War

The arduous Iraqi balancing act between Western and Iranian interests has become more and more difficult due to the ongoing fighting in Syria. The cooperation between Sunni opposition and the Iraqi al-Qaida dependence increases the likelihood of a spillover from the Syrian civil war. Since the government does not want to risk the loss of its Western provinces to Sunni insurgents, who could demand a change of government in Baghdad after a successful overthrow in Damascus, Maliki tolerates the fact that Shiite volunteers from Iraq are fighting in the neighboring country for the Assad regime. At the same time, he allows his own security forces to persecute Sunni supporters of the Syrian opposition as terrorists. This again fuels the discontent among Sunni citizens, strains the relations to the Sunni states, and deepens the bond with Iran.

In order to stop the drift into the pro-Iranian camp, Nuri al-Maliki has tried to maintain a compromise position which serves the best interests of his country – to preserve the stability of Iraq and to gain leeway between the conflicting regional blocks. Thus, he condemned the violent approach of the Syrian security forces and eventually concurred with Washington’s demand that Bashar al-Assad had to step down. Yet, at the same time the premier has had to accommodate Tehran, e.g. by disapproving Syria’s expulsion from the Arab League and objecting to sanctions against Iran’s ally. In fact, Maliki later folded under American pressure and promised to monitor transits to Syria in order to prevent the smuggling of arms. But actual controls remained sporadic and inspections of Iranian aircraft going into Syria were merely symbolic.

The United States has to be content with largely rhetorical support from Baghdad. Yet the stance of the Maliki government is a setback for Iran, which has to accept Iraq's public disavowal of its Syrian policy. Meanwhile, in accord with the strategy of neutrality, Prime Minister Maliki advocates talks between the Syrian government and the opposition in which Iran and Saudi Arabia should take part. However, Iraq's Foreign Minister Hoshyar Zebari has stressed: “We are doing our best to maintain a neutral position, but the pressures are enormous and for how long we can hold really is a matter of further developments in Syria.”19

Recommendations

This Policy Brief has pointed out that Iran’s influence is hampering a positive development in Iraq. As a result, Baghdad has taken steps to distance itself from Tehran. This is evidenced by Iraq's foreign policy, which takes a rather neutral position between the conflicting regional blocks – a course that corresponds with the countries long-term interest’s for peaceful development.

As a result, Iraq after Saddam Hussein has signaled its willingness to participate in initiatives to advance regional security cooperation and to establish a WMD/DVs Free Zone in the Middle East. All political actors, especially Iran, should encourage this positive tendency. With its security interests and economic commitments in Iraq as well as with its general appetite for a greater role in the Arab Middle East, the Islamic Republic would profit massively from a stable, peaceful, and independent neighbor, working as its gateway to the region. In just the same way, the development of stability in Iraq and the Persian Gulf is of primary security and economic interest to the Gulf states and Turkey. Naturally, the greatest interest to overcome the antagonisms between West and East in the region, as well as on its own territory lies with the Iraqi government. If it seeks to preserve the country’s unity and end its internal conflicts, it is pledged to a long-term policy of balance and reconciliation.

However, a precondition for any progress has to be a credible acceptance of the newly formed order in Iraq – based on the Shiites’ political domination – by the country’s Sunni citizens and the regional powers. The fear that internal and external
enemies are plotting a new Sunni takeover puts a massive strain on any reconciliation. On the part of Iraq’s majority population the acceptance of the beneficiary status quo has to be followed up by reliable guarantees for minority rights and political participation.

With the pacification of the ethno-sectarian conflict, the Iranian significance as Shiite protector and mediator will certainly wane. However, this could open up the possibility for a mutual and more sustainable partnership between the two neighbors. In regard to its own long-term interests, the Islamic Republic should not dismiss this path lightly. Although Tehran has successfully used Baghdad’s weakness to its advantage, thereby succeeding in its two main goals – the withdrawal of the U.S. and the prevention of a new Iraqi military challenge – its efforts to control its neighbor revive strong anti-Iranian sentiments. To avoid a negative backlash in the future, Iran would be well advised to withdraw its support for paramilitary activities, to use its political influence to advance reconciliation, and to reform its economic strategy in Iraq.

Based on the aforesaid remarks, this Policy Brief offers the following recommendations:

- Iraq should be encouraged and assisted in its new foreign policy approach. As a former aggressor in the region, a policy of internal and external reconciliation and peaceful cooperation holds the potential to reduce tensions and to build confidence in the Middle East. As an advocate for a WMD/DVs Free Zone and for common security cooperation, Iraq subscribes to a positive vision for the region. Its conflicting loyalties as an Arab-Shiite state explain the country’s current position between the regional blocks and make its stance untenable.

Endnotes

Further Reading


more reliable. It also positions Iraq as a potential mediator between the Islamic Republic, the Arab States, and the United States.

- However, in order to realize this role Iraq needs to stabilize its political and economic situation. This will only happen through reconciliation between the new Shiite government and the deposed Sunni state elites. All parties should therefore strive to bring this about. To succeed, the effort has to be assisted by the various outside powers with leverage in Iraq, primarily the Islamic Republic and the United States, but also Turkey, Saudi Arabia, and the Gulf states. As demonstrated, Tehran holds the greatest influence over the government in Baghdad. Since at least 2010, this influence has been crucial to withhold a rapprochement between Shiites and Sunnis. However, the opposite policy might advance stability and unity in Iraq. Such a change is in Iran's best interest, as it would secure friendly relations for the long-term. Moreover, a positive role in Iraq offers increased acceptance for Tehran's involvement in the region. Thus, an equal partnership with a stable and peaceful Iraq could serve as Iran’s ticket into the Arab world.

- Iran's new President, Hassan Rouhani, who has declared his interest to restore security in Iraq and has called for more peaceful regional cooperation in general, could bring about a more constructive Iranian policy in Iraq. Of course, as regards Rouhani's conciliatory remarks on Iran's nuclear program, the consequences of these words remain to be seen. However, the new president should be encouraged to follow up on his promises.

While the stabilization of Iraq and the acceptance of its independent foreign policy demands great concessions by all parties, especially by Iran, the solution of the country's problems is closely connected to a peaceful development of the entire region. As such, more efforts should be made to incorporate the new Iraqi republic as an important actor into all consultation on all efforts on security cooperation and arms control, like the Helsinki Conference on the establishment of a WMD/DVs Free Zone in the Middle East.

About the ACADEMIC PEACE ORCHESTRA MIDDLE EAST (APOME)

The ORCHESTRA is the follow-up project of the “Multilateral Study Group on the Establishment of a Missile Free Zone in the Middle East”. The ACADEMIC PEACE ORCHESTRA MIDDLE EAST is a classical Track II initiative: it consists of some 100 experts – mainly from the Middle East/Gulf, one of the most conflict-ridden areas of the world. The ORCHESTRA is meeting regularly in working groups (CHAMBER ORCHESTRA UNITS) on specific topics in the context of a workshop cycle from 2011-2014. The main goal of this initiative is to shape the prospective Middle East Conference on the establishment of a zone free of weapons of mass destruction and their delivery vehicles agreed upon by the international community in May 2010.

For this reason, these experts develop ideas, concepts, and background information in a series of POLICY BRIEFS which are the results of intense discussions within the CHAMBER ORCHESTRA UNITS. In this framework, the broader normative Cooperative Security Concept will be further developed, embedded, and institutionalized in the region. At the same time, the ORCHESTRA meetings serve as venues for confidence building among the experts. The networking activities of PRIF’s Project Group are documented by the ATLAS on Track II research activities in or about the Middle East/Gulf region.

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