



CARNEGIE
MIDDLE EAST CENTER



IRAQ'S TANGLED FOREIGN INTERESTS AND RELATIONS

Paul Salem

DECEMBER 2013



CARNEGIE
MIDDLE EAST CENTER

IRAQ'S TANGLED FOREIGN INTERESTS AND RELATIONS

Paul Salem

© 2013 Carnegie Endowment for International Peace. All rights reserved.

Carnegie does not take institutional positions on public policy issues; the views represented herein are the author's own and do not necessarily reflect the views of Carnegie, its staff, or its trustees.

No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Carnegie Middle East Center or Carnegie Endowment. Please direct inquiries to:

Carnegie Endowment for International Peace
Publications Department
1779 Massachusetts Avenue NW
Washington, D.C. 20036
P: +1 202 483 7600
F: +1 202 483 1840
CarnegieEndowment.org

Carnegie Middle East Center
Lazarieh Tower, 5th floor
Bldg. No. 2026 1210, Emir Bechir Street
P.O. Box 11-1061 Riad El Solh
Beirut
Lebanon
Carnegie-MEC.org

This publication can be downloaded at no cost at Carnegie-MEC.org

Contents

About the Author	v
Summary	1
A Splintered Foreign Policy	3
A Pattern of Centrism?	4
Primary Foreign Policy Interests	6
Iraq's Bilateral Relations	15
Looking Ahead	29
Notes	33
Carnegie Middle East Center	36

About the Author

Paul Salem is currently the vice president for policy and research at the Middle East Institute in Washington, DC. Previously, between 2006 and September 2013, he was director of the Carnegie Middle East Center in Beirut, Lebanon. He publishes on the regional and international relations of the Middle East as well as issues of political development and democratization in the Arab world. This paper was written while he was at Carnegie.

Salem is the author of a number of books and articles on the Middle East, including *Broken Orders: The Causes and Consequences of the Arab Uprisings* (Beirut: Dar An-Nahar, in Arabic, 2013), “Libya’s Troubled Transition” (Carnegie, 2012), and “Can Lebanon Survive the Syrian Crisis?” (2012). He writes regularly in the Arab press and has been published in numerous journals, magazines, and newspapers, including *Foreign Affairs*, the *National Interest*, the *New York Times*, the *Financial Times*, the *Los Angeles Times*, and *Politico*.

The author would like to thank Maria Fantappie, a former visiting scholar at the Carnegie Middle East Center and currently with the International Crisis Group, for help in conceiving and planning this research paper. The author would also like to thank Hicham Chbeir, Marie-Therese Corbani, Ahmad Farhat, and Marc Sabbagh—research interns at the Carnegie Middle East Center—for their help in the research that helped inform this paper.

Summary

A decade after Saddam Hussein's fall, Iraq still lacks a centralized foreign policy that advances its national interests. Internal divisions, such as those between the Shia-dominated regime in Baghdad and the Kurdistan Regional Government in Erbil, have given rise to alternative power centers with their own policy priorities. Iraqi foreign policy will remain disjointed and incoherent until Baghdad resolves the issues polarizing the country.

Key Themes

- Iraq's national interests in building military capacity, reviving the energy sector, meeting domestic water and energy demand, and increasing trade and investment have prompted Baghdad to rebuild relations with regional and global partners.
- Iraq's rapidly growing economy is emerging as an engine of growth in the Middle East and a key player in international energy markets.
- Counterterrorism cooperation with Washington and multibillion-dollar arms deals with Russia and the United States have become cornerstones of Iraq's international security posture.
- Contracts with Western, Chinese, and Russian energy companies have revitalized its oil sector, and Baghdad has built relations with Iran, Turkey, several Gulf countries, Jordan, and Syria to help meet its energy-transport, water, and electricity needs.
- Erbil and many Sunni Arab opposition leaders have pursued their own foreign relations and international priorities that often conflict with Baghdad's official foreign policies.
- Baghdad has moderately supported the Syrian regime while Erbil and Iraqi Sunnis have sided with the rebels in the ongoing civil war. This has exacerbated Iraq's fragmentation by pushing Baghdad closer to Iran, another Damascus supporter, while driving Iraqi Kurds and Sunnis closer to Turkey and the Gulf countries backing the Syrian opposition.

Implications for Iraq's Future

- Despite its significant economic growth, Iraq will not regain significant political or strategic influence in the Middle East for some time.
- Until Iraq resolves domestic disagreements over energy, internal borders, and power sharing, Erbil and the Sunnis will continue advancing their own international agendas and Iraq will lack a coherent foreign policy.
- Developments in Damascus will affect Iraq's foreign relations. A resurgent Syrian regime will strengthen Baghdad and its ties to Iran, while opposition victories will empower Iraq's alternative power centers and force Baghdad to reconsider its regional alignments.
- Any thaw in Iran's relations with the West—like the recent nuclear deal between Tehran and several world powers—will reduce the tensions in Iraq's foreign policy.
- Iraq's interests are best served by a centrist foreign policy, not a narrow regional alliance with Iran. Baghdad should continue pursuing strategic and economic relations with various Middle Eastern and international powers.

A Splintered Foreign Policy

Iraq lies along many key fault lines—Kurdish-Arab, Sunni-Shia, Arab-Persian—and it also holds one of the world’s largest oil reserves. As a central country in the resource-rich and volatile heart of the Middle East, Iraq has the potential to be either a force for regional accommodation and stability and an engine for economic growth or a crucible for ethnic and sectarian conflict. As a result, its foreign policy matters for Iraqis, for countries of the region, and for the world. However, Iraq will not have a coherent foreign policy until it resolves deep and lingering internal differences over matters such as power sharing, territory, and energy.

Iraq has a complex set of foreign interests that relate to building military capacity; encouraging investment and economic growth, especially in the energy sector; and securing access to water and electricity. The incoherence in the country’s current foreign policy stems from the fractured, polarized nature of its domestic politics and the lingering influences of competing outside powers in both Iraq and its volatile regional neighborhood—especially with the war next door in Syria. Iraq’s national interests would best be served by pursuing a centrist foreign policy and building good relations with a wide array of regional and international partners, and there are some forces in the country that appear to be pursuing just such a policy.

So far, these attempts have been unsuccessful. Iraqi foreign policy has been neither effectively centralized nor institutionalized. The central government in Baghdad, currently under Prime Minister Nouri al-Maliki, holds the lion’s share of power. It receives large oil revenues, controls the budget, commands the national army, and enjoys the constitutional authority of setting foreign policy. Within the Baghdad government, the foreign ministry has been led by the Kurdish politician Hoshiyar Zebari, but all important government foreign policy decisions have been effectively made by the prime minister’s office. This arrangement reflects Maliki’s efforts to concentrate power in his hands, a goal he has been pursuing since he first took office in 2006.¹

But Baghdad’s power has been challenged by the Kurdistan Regional Government (KRG) based in Erbil, currently under President Massoud Barzani, which has enjoyed a high degree of autonomy since Saddam’s fall. It has effectively forged its own external relationships with international oil companies and regional powers such as Turkey and is pursuing its own policies

Iraq’s national interests would best be served by pursuing a centrist foreign policy and building good relations with a wide array of regional and international partners.

with regard to the civil war in Syria. These policies are separate from and often in conflict with those pursued by Baghdad.

And the Kurds are not the only domestic players contesting Baghdad's foreign policy authority. Various factions and leaders within the Shia and Sunni political spectrum—such as Muqtada al-Sadr, leader of the opposition Shia Sadrist Trend political party; Ahmed Chalabi, a prominent Shia politician; Ayad Allawi, leader of the opposition Iraqiyya bloc; and former vice president Tariq al-Hashimi, who was forced out of power by Maliki in late 2011—effectively have their own foreign relations, either with Iran or with Saudi Arabia,

Qatar, or Turkey. As a result, the foreign policy pursued by the Maliki government in Baghdad often does not reflect a national consensus nor does it always preempt Erbil or other politicians pursuing their own foreign relations.

The internal struggle for political advantage among Iraq's many competing factions also influences the country's foreign relations. In theory, at least, foreign policy should advance national interests; however, in deeply divided societies like today's Iraq—or indeed today's Lebanon, Syria, Bahrain, Yemen, and precession

Sudan—foreign relations and foreign policy are often pursued by state or non-state actors to strengthen their political positions in domestic politics.² Thus Maliki has moved closer to the government in Iran as the challenge from the KRG and other Iraqi Sunni groups has grown; the KRG has moved closer to Turkey as its differences with Baghdad have increased; and Sunni leaders have reached out to Turkey, Qatar, and Saudi Arabia in their competition with the Shia-dominated central Iraqi government.

The influence of external forces in Iraq has further hindered Baghdad's attempts to create a coherent foreign policy. Until its troops left in late 2011, the United States had considerable influence over both domestic and foreign policy in Iraq, although this influence has dramatically declined since the withdrawal. Iran, through extensive political, religious, and security networks, continues to have a major impact. Saudi Arabia, Qatar, Turkey, and previously Syria, also have (or in the case of Syria, had) influence with one faction or another within the country. And each of these external actors has unique—and often contradictory—interests it would like to see reflected in Iraq's foreign policy.

The foreign policy pursued by the Maliki government in Baghdad often does not reflect a national consensus nor does it always preempt Erbil or other politicians pursuing their own foreign relations.

A Pattern of Centrism?

Despite these challenges, there is a general—one might even say positive—pattern to Iraq's complex and often contradictory emerging foreign policy, especially when compared to that of the Saddam era. Successive governments in post-Saddam Baghdad have been trying to effect a transition from the

isolationism that marked Iraqi foreign policy during the last years of Saddam's rule to an openness to regional and international relations and partnerships. They have also attempted to move from a foreign policy based on military might, which led to the initiation of multiple wars, to one favoring economic development and the avoidance of major military conflict. Baghdad has shifted away from the heavily ideological Arab nationalist foreign policy that put Iraq in permanent tension with Kurdish, Turkish, and Iranian identities—and also “justified” Iraqi power grabs over Arab states such as Kuwait—and toward a less ideological, more pragmatic foreign policy based on more mundane and varied political and economic interests.

Foreign Minister Zebari, in office for the full decade since Saddam's ouster, has been the most consistent voice in expressing the national thread of Iraq's post-Saddam foreign policy. He has emphasized the need to rebuild Iraq's relations with the regional and international communities as well as the need to direct Iraq's foreign policy to promote the country's unity and stability and to fuel its reconstruction and economic growth. Until his stroke and incapacitation in December 2012, Kurdish leader Jalal Talabani—Iraq's president since 2005—was also a prominent voice emphasizing this common, positive, and national thread of Iraq's foreign policy.

In its official statements, Maliki's ruling Dawa Party has echoed these goals of pursuing a foreign policy built on peaceful, cooperative relations with neighbors and the international community and on the prioritization of socioeconomic development over military or geopolitical goals. For the first few years of his rule, Maliki maintained this line in most of his official positions and in his schedule of visits, which balanced out trips to Tehran or Moscow with visits to Turkey, the United Arab Emirates (UAE), Europe, and the United States (although he has never been received in Saudi Arabia or Qatar). Indeed, this middle-of-the-road and economically driven foreign policy loosely describes much of Iraq's complex foreign relations for years after the fall of Saddam. During this time, Iraq had good relations and growing economic ties with most of its neighbors, including Iran, Turkey, Syria, Lebanon, Jordan, Kuwait, and the UAE, as well as with global powers such as the United States, the European Union (EU), Russia, and China.

But this centrist policy faced a major crisis with the uprising against the regime of Syrian President Bashar al-Assad. Although Maliki initially tried to maintain a neutral position in the conflict, this policy came under intense external and internal strain. Externally, Iran and Russia lined up solidly behind the Assad regime, while Turkey, the Gulf Cooperation Council (GCC), Europe, and the United States lined up behind the opposition, leaving no foreign policy middle ground to tread. Internally, KRG President Barzani backed the Syrian Kurdish rebellion against the Assad regime, and many of Iraq's Sunnis sympathized with the Syrian rebels. They hoped that a Sunni-led toppling of the

Alawi-dominated regime in Syria would strengthen their hand in weakening Maliki's monopoly on power in Baghdad. These pressures pushed Maliki's government to offer more support for the Assad regime, as Maliki feared that Assad's fall would spell real trouble for his own rule.

Indeed, the Syrian conflict has ruined Iraq's attempts at maintaining a "good friends with everyone" policy. Whether it will force Iraq deeper and more permanently into closer alignment with the other supporters of Assad—such as Iran, Lebanon's Hezbollah, and Russia—or whether the crisis will pass and Baghdad can resume its preference for the middle remains to be seen.

Primary Foreign Policy Interests

The outlines of Iraq's foreign policy are dictated in large part by its various interests. These include shifting from a Saddam-era policy of isolation and engagement in costly wars to one marked by cooperation with foreign powers; increasing military capacity; encouraging growth in the energy sector; ensuring the country's resource needs; and boosting trade and foreign investment.

Undoing the Legacy of Isolation

Near-total trade and financial sanctions were imposed on Iraq by the United Nations (UN) Security Council in August 1990 after Iraq's invasion of Kuwait, and they devastated the Iraqi economy and society. The majority of these sanctions were removed after the fall of the Saddam regime in 2003, and a main objective of Iraq's leaders since that time has been simply to regain international legitimacy and rebuild normal relations with the states of the region and the world. With a recent memory of the devastating costs and consequences of military adventures (against Iran and Kuwait) and confrontations (with the U.S.-led coalition), the post-Saddam consensus has been to avoid external military confrontation and the extreme external alignments that might bring them about.

Since Saddam's fall, Iraq has also been working to regain internal political sovereignty. The first formal step was handing authority over from the Coalition Provisional Authority set up by the occupying powers in 2003 to the interim Iraqi government in June 2004. This was followed by the drafting of a new constitution, the holding of parliamentary elections in 2005, and the setting up of the first duly constituted government in May 2006. But foreign troops remained until the last U.S. units left in December 2011. In June 2013, the UN Security Council moved Iraq largely out of Chapter VII, which allows UN-mandated external action, to Chapter VI, which requires cooperation between states. This move gave Iraq another element of its national sovereignty, although that sovereignty is still compromised by strong internal divisions, the state's incomplete control of its borders and airspace, and the presence of external intelligence networks and externally backed militias.

Building Military Capacity

Part of Baghdad's foreign policy has been driven by its need to purchase arms and training for the national army. The Maliki-dominated central government has been trying to regain control over borders, territory, and airspace through further empowering the national army. Over the last year, it has also been scrambling to face down the challenges of a resurgent al-Qaeda. The Iraqi army, currently more than 350,000 strong, was built and trained under U.S. auspices, but it still does not have significant airpower or mechanized armor capacity and cannot defend against incursions (for example, Turkish or Iranian) if and when they occur. Its counterterrorism capacities are also low.

In addition, the national army sits uneasily alongside the Kurdish peshmerga armed forces—currently over 300,000 strong and lightly armed—that protect and patrol the KRG. There are also three Kurdish brigades in the national army—totaling about 24,000 soldiers—that are deployed mainly in disputed territories in Saladin Province (specifically in the town of Tuz Khormato) and Diyala Province.

In foreign policy terms, strengthening the national army has meant building and maintaining relations with countries that can provide advanced and effective weaponry. The United States is, and will probably remain for the foreseeable future, Iraq's main military supply partner. Washington and Baghdad have a set of active and proposed arms deals worth \$18 billion. These include deals for 36 Lockheed Martin F-16 fighter jets, 25 Bell attack helicopters armed with Lockheed Martin laser-guided AGM-114 Hellfire missiles, six C-130 Hercules Transports, 140 upgraded Abrams main battle tanks built by General Dynamics Land Systems, and 160 Guardian armored security vehicles. Three of the six C-130s have been delivered, and delivery of the first F-16s is expected to occur later in 2013—Iraqi pilots are already training in the United States to fly these aircraft. The main deal was signed in 2008, but delivery of fighter jets and battle tanks continues to be delayed.³

In addition, Iraq and the United States have been building cooperation on counterterrorism. In talks in Washington in August 2013, Foreign Minister Zebari asked for counterterrorism support that might include the deployment of U.S. drones to combat al-Qaeda. In an October 2013 visit to Washington, Maliki emphasized that Iraq and the United States must remain partners in fighting terrorism.

Baghdad has recently sought to diversify its arms supplies. Maliki's government announced in late 2012 a \$4.2 billion arms deal with Russia and a \$1 billion arms deal with the Czech Republic. The Russian deal involves deliveries of 30 Mi-28 attack helicopters and 42 Pantsir Zenit missile-launch systems to Iraq. The deal was frozen for several months but was renewed in April 2013, and Iraq began receiving the first deliveries in October 2013. Russian media also reports that Iraq is exploring the purchase of Mikoyan Mig-29 fighter jets.⁴ The Czech deal involves trainer/light attack aircraft.⁵ It was also initially put

on hold—perhaps as a result of pressure from Washington—but Baghdad now says it is again on track and shipments will be received before the end of 2014. In December 2013, Iraq also announced a \$1.1 billion deal with South Korea to purchase 24 light multipurpose fighters.⁶ It is clear that Maliki's government is interested in using its oil wealth to diversify its arms partners while strengthening its military capacities, and Iraq's oil revenues render it an increasingly lucrative market for international arms sales.

**Iraq's oil revenues render it an increasingly
lucrative market for international arms sales.**

The arms of the Kurdish peshmerga consist of Soviet-era light and heavy machine guns as well as around 2,000 armored vehicles and a small number of helicopters captured from the Iraqi army during the U.S.-led 2003 invasion. Erbil continues to jealously guard the autonomy of its armed forces, but while it has pursued independent deals with foreign countries in other areas, such as in the oil sector, it has accepted that arms deals will have to go through Baghdad.⁷

While Baghdad and Tehran have close relations and cooperate on security issues—indeed, they recently announced their intention to sign an agreement to deal with borders, smuggling, trade, and pilgrimage security—Iraq does not look to Iran in any major way for help in building its military capacity. Tehran does not have an arms industry that meets Baghdad's needs, so Maliki will continue to depend on other international capitals for arms deals.

The Foreign Policy Imperatives of Oil and Gas

Iraq's rapid economic growth depends largely on reviving its rich energy sector, which suffered during the years of Iraq's isolation and during the U.S. invasion. Post-Saddam governments have focused on bringing national and international investment back into this sector and pursuing foreign policies that provide external markets and exit routes for this energy. This has driven Iraqi foreign policy to seek good relations with all of its neighbors, whom it needs for energy export routes, and to maintain solid ties to both the United States and Asian giants like China and India, which are Iraq's main energy clients.

With 143 billion barrels, Iraq has the fifth-largest proven oil reserves in the world,⁸ and further exploration could make it an even larger reserve holder. Oil production had declined during the years of Iraq's isolation, and it collapsed during the U.S. invasion. But it has climbed back to around 3.5 million barrels per day (mbpd), which was the peak it had reached around 1980. Iraq has already surpassed Iran as an oil exporter and hopes to reach export levels of around 9 mbpd by 2020.⁹ The revival of the oil sector has been slow because of a dramatic brain drain during the post-2003 period and damage to infrastructure.

Baghdad also has challenges getting its oil to market. The two major oil fields are in Kirkuk in the north and Rumaila in the south. Currently, most exports go south through the port of Basra to the Persian Gulf and out through the Straits of Hormuz. But Baghdad has a strategic interest in expanding and

diversifying its oil export routes. It has plans to expand the Basra port to handle more output. This has brought some tension with Kuwait, which also has plans to expand its own nearby port. Additionally, Iraq would be the main loser from any closure of the Straits of Hormuz.

Many of Iraq's historical export routes have been shut down or badly damaged. Iraq had a pipeline that ran west to the ports of Baniyas in Syria and Tripoli in Lebanon, but that has been closed since the U.S. invasion. There were attempts to restart pumping during the previous decade, but any plan to pump oil west must now await the outcome of the war in Syria. Indeed, before the uprising, Assad's Syria had been trying to position itself as an energy hub in the region, and part of the war for Syria by regional and international powers is a struggle for a strategic position on the energy map.

A pipeline that ran southeast to Saudi Arabia could have taken up to 1.5 mbpd of Iraqi oil to the Saudi Red Sea port of Yanbu, but it has been closed since the Iraqi invasion of Kuwait in 1990. Relations between Riyadh and the Shia-led Baghdad government are poor, and there is little hope for that outlet being reopened unless they improve.

The Kirkuk–Ceyhan pipeline, which carries Iraqi oil north through Turkey to the Mediterranean, was delivering around 900,000 bpd in 2001, but sabotage and bombings, either in southeastern Turkey by militants from the separatist Turkish Kurdistan Workers' Party (PKK) or in northern Iraq by various Iraqi insurgent groups, have repeatedly interrupted that flow.¹⁰ A March 2013 deal between the government of Turkish Prime Minister Recep Tayyip Erdoğan and PKK leader Abdullah Öcalan promises a resumption of higher flows. This development would be especially welcomed by the Erbil government, which could then send most of its output north through Turkey by pipeline rather than transporting it by truck, a much more labor-intensive process it has used in previous years.¹¹

In April 2013, Iraq and Jordan announced an \$18 billion deal to establish a double pipeline running southwest to the Jordanian Red Sea port of Aqaba. This pipeline would transport both oil and natural gas, pumping 1 mbpd of oil and 258 million cubic feet of gas per day.¹²

In addition to diversifying its export routes, Baghdad has sought to revitalize its energy sector by improving relations with major oil importers and corporations. One of the outcomes of the U.S. toppling of the Saddam regime was to open up the massive Iraqi oil market to private international (including American) oil companies for the first time since the nationalization of the Iraqi energy sector decades before. Oil giants, such as ExxonMobil, Chevron, and ConocoPhillips, and energy service companies, including Halliburton, ended up with large contracts in post-Saddam Iraq.

But the returns have not been as rewarding as these companies expected. The United States failed to get the Iraqi parliament to pass an energy law that it favored, and the contract conditions that have been offered by the Baghdad

government—based not on profit sharing but on remuneration-per-barrel fees—have dampened enthusiasm. Many American and Western companies that had concluded large contracts with Baghdad found that the low payout being offered by the central government—of around \$2 per barrel—did not justify the large investment and risk involved.

Erbil also disagreed with Baghdad's post-Saddam management of the oil sector, and it has not abided by Baghdad's decision that all oil contracts must be approved by the central government. As a result, the KRG has concluded dozens of contracts with international energy companies on its own.¹³ Many of these are the same companies disillusioned by Baghdad's oil policies, including ExxonMobil, Total, and Statoil. They have sold or abandoned contracts with the central government and signed contracts under more lucrative terms with the KRG in the north. This strained Baghdad-Erbil relations over energy, but there appear to be signs of improvement. In December 2013, Iraqi Oil Minister Abdul Kareem al-Luaibi announced that the KRG had agreed to let the central government in Baghdad control the amount and quality of crude that Erbil exports through the Turkish pipeline and manage revenue from its sale.¹⁴

While major American and Western oil companies rushed into post-Saddam Iraq hoping to reap massive oil benefits, it is the Chinese who have ended up holding the lion's share of plots and contracts. Chinese companies operate at much lower costs than their Western counterparts, and their entrance into Iraqi oil production is not so much driven by profit margins as by the necessity of securing China's long-term energy needs. About 30 percent of Iraq's production now comes from fields owned or operated by Chinese companies, and half of all exports go to Asia.¹⁵ Asian demand will only grow in the years ahead.

In addition to oil, Iraq also has large natural gas reserves of around 6 trillion cubic meters, distributed fairly equally between the KRG and the rest of Iraq.¹⁶ This sector remains vastly underexploited. Iraq produces around 1,000 million cubic meters per day, but about 60 percent of gas from fields in the south is being burned off by flaring, while the KRG has a no-flaring policy. Furthermore, there are no pipelines or liquefied natural gas (LNG) facilities to undertake major exports. Some of this gas is currently being used to meet a portion of the country's electricity-generation needs.

The main gas pipeline project is a planned one between Iran, Iraq, and Syria.¹⁷ This would enable Iraq to export gas west through Syria and would also bring online Iran's rich South Pars gas field and open up access to European markets. The Iraq–Syria section of the project is on hold until the Syrian conflict comes to an end; Iran and Iraq have explored with Jordan the possibility of routing their section of this gas pipeline through Aqaba.

The Iran–Iraq–Syria pipeline, in the long run, could also enable Iraq to pump gas east and hook up with proposed Iranian pipelines that would go from Iran to Pakistan and then to the vast markets of China and India directly. While the idea of a gas pipeline through Turkey has been broached, no concrete

steps have been taken in that direction. The government in Baghdad has also commissioned feasibility studies for an LNG facility off its narrow southern shore for future consideration.

Iraq's present and future dependence on energy exports and its need for large and diversified export avenues, coupled with its largely landlocked geography, mean that a successful Iraqi foreign policy must seek diversified and good relations with multiple neighbors and international clients.

The Geopolitics of Water

Iraq's acute water needs also factor into its foreign policy. All of the country's overland water flows into Iraq from its neighbors. Its main sources of water are the Tigris and Euphrates Rivers, both of which originate in Turkey. The Euphrates flows through Syria before reaching Iraq, and some tributaries of the Tigris and other smaller rivers that irrigate parts of eastern Iraq originate in Iran. Unless Iraq maintains good relations with these neighbors, its already-low water levels could even go lower.

Iraq has 1.9 million hectares of arable land. The birthplace of agriculture and once the breadbasket of the Middle East, the country is suffering from severely declining river inflows as well as several years of below-average rainfall. The declining river flows have several impacts: they dramatically reduce irrigation, increase the salinity of soil, and reduce hydropower input. Iraqi officials report that less than half of arable Iraqi land is under production—down from 100 percent in previous decades—and the land being used is producing inferior yields.¹⁸ Several towns in the south have been abandoned because water salinity has killed agriculture as well as farm animals.

In the aftermath of the 2003 U.S. invasion, agricultural productivity decreased by 90 percent. Several factors—the workforce shifting toward state employment, a lack of government subsidization, and the lingering effects of long years of severe drought—took their toll on agriculture. From 2004 to 2010, Iraq witnessed its driest winters on record.¹⁹

Growing aridity and retreating plant cover have dramatically increased the frequency and intensity of sandstorms. The decline in agriculture has pushed hundreds of thousands of peasants, already ravaged by war and instability, into poverty or into the city slums, looking for work. The water decline has hit the southern marshlands particularly hard, drying them up and sending up to 300,000 marshland residents on the move to look for work or sustenance.²⁰

Thus, as in other parts of the arid Middle East, tensions over scarce water resources remain one of Iraq's main foreign policy concerns and flashpoints. The Maliki government has failed to effectively address Iraq's multiple water-related challenges through its foreign policy.

Unless Iraq maintains good relations with its neighbors, its already-low water levels could even go lower.

Early efforts to negotiate with Turkey and Syria have fallen victim to crisis and worsening relations, and tensions between Baghdad and Erbil make cooperation over water even harder. Tensions between Turkey and Iraq over water are long-standing, particularly as Turkey has pursued dam construction and irrigation projects in its eastern provinces. An agreement between the two countries signed in 1984 committed Turkey to allowing a minimum of 500 cubic meters per second of water to flow into Iraq, but officials in Iraq insist that levels have fallen below that and might drop further.²¹ As the Euphrates has become “narrow and drab,”²² rice and wheat output has plummeted. Iraq has turned to Iran for major food imports, and many farmers have resorted to digging expensive wells, which in turn negatively impact water tables and soil salinity.

Tensions with Syria over water have been high in the past, as Syria pursued dam and irrigation projects on the Euphrates. Iraq and Syria almost went to war over water in 1975. In 2008, Iraq, Turkey, and Syria announced an agreement to establish a common water institution to manage the shared resource, but with the war in Syria this project is currently on hold.²³

In addition, there have been water tensions with Iran. In 2012, Iraqi farmers blocked a number of border crossings between Iraq and Iran in an area east of Baghdad to protest Iran's diversion of the al-Wind River, which irrigates one of Iraq's largest agricultural areas.

Water tensions are also a source of conflict between the Kurdish and Arab regions of Iraq. The Kurdish authorities in the north are proceeding with the construction of eleven dams, mainly along the Tigris, that will further restrict flows to the south and increase regional and ethnic tensions. The northern provinces are the driest in Iraq, and these KRG dam projects aim to boost agricultural potential and electricity generation.

Meeting Electricity Demand

Ten years after the fall of the Saddam regime, Iraq is still unable to meet its domestic electricity consumption needs. Until 1990, Iraq's electricity system was one of the best in the region, with generation capacity exceeding demand; today it meets only 50 percent of demand. This deficit is a massive drag on all sectors of the economy. Current domestic production stands around 5,500 megawatts (MW), while demand is around 12,000 MW. There are 28 power plants operating in the country, and another 41 are under construction or contract. If these projects are completed by 2015, 12,000 MW will be added to Iraq's supply. By that time, it is estimated that demand will have increased to 20,000–21,000 MW.²⁴

Baghdad has tried to narrow the deficit by importing electricity from its neighbors, and it will probably have to lean on electricity imports for several years to come. Iran is the main exporter of electricity to Iraq, conveying about 1,000 MW a day from Iranian power plants across the border; Baghdad already owes Iran about \$500 million for this energy. Iran is also constructing, at its

own expense, a 525 MW power plant in the holy Iraqi city of Najaf. Notably, Iran has great ambitions as an electricity exporter and already provides electricity to other neighbors, such as Turkey, Armenia, Afghanistan, and Pakistan.²⁵

Turkey currently provides 275 MW of electricity to Iraq and plans to boost that export to 1,200 MW. Turkish companies have also been awarded contracts worth more than \$1 billion to construct power plants with a combined capacity of 2,500 MW in the provinces of Baghdad, Karbala, and Nineveh.

In a \$7 billion deal with the United Arab Emirates, Iraq receives 250 MW from UAE power-generating ships moored outside the port of Basra.²⁶ And until the conflict in Syria erupted, Iraq was getting around 450 MW from the Eight Country Interconnection Project, which provided power from Egypt via a marine cable across the Gulf of Aqaba and linked Egypt, Jordan, Saudi Arabia, Syria, the Palestinian Territories, Lebanon, Iraq, and Turkey.²⁷

Erbil has done much better than Baghdad in meeting electricity demand. The Kurdish north produces around 1,950 MW and meets 85 percent of its region's demand. The KRG is even beginning to sell electricity to several neighboring Iraqi provinces. From the beginning, Erbil accepted the principle of privatization in this sector and has given successful contracts for power generation to major international companies.²⁸

The Baghdad government tried to stay with the centrally owned and managed power system that had been successful in Baathist days, but corruption and mismanagement under post-Saddam governments have resulted in little progress in comparison with the massive amounts spent. Only in 2010 did the central government open the door for serious outside help and begin awarding major contracts to foreign companies.

With its massive oil and gas resources, Iraq has more than enough fossil fuel resources to generate the electricity needed to meet its domestic demand and to eventually become an electricity exporter. Until then, and if the domestic energy production sector remains as dysfunctional as it has been, Baghdad will continue to be dependent on electricity imports from Iran, Turkey, and other neighbors, and its foreign policy will have to reflect those imperatives.

Building Trade and Investment Relations

Baghdad's new elites recognize the need for high levels of international trade and investment to create high levels of economic growth. Many of them are themselves—or are closely linked to—new business elites who benefit from these economic opportunities. A pattern of crony capitalism has emerged in which politicians and businessmen come together in mutually beneficial alliances.²⁹ The U.S.-led occupying powers pushed economic changes that transformed this formerly semi-socialist and centrally planned, state-dominated economy into an open market economy. The new elites have embraced this change.

Attracting a wide array of regional and international trading partners and investors has been a main trend in Baghdad's post-Saddam foreign policy.

Despite the instability and insecurity of the past decade, the Iraqi economy is one of the fastest growing in the region and has provided tremendous opportunities for trade and investment. From a gross domestic product (GDP) level of around \$20 billion on the eve of the 2003 U.S. invasion, the GDP has grown 575 percent to around \$115 billion, with almost 70 percent accounted for by the energy sector. The growth rate for 2013 is estimated at a robust 9 percent.³⁰

Iraq's largest trading partner is the United States, with bilateral trade reaching around \$14 billion annually (2011 figures), followed by India, the EU, China, South Korea, and Turkey. This trade is still dominated by energy exports. India is Iraq's largest energy-export market, followed by the United States, the EU, China, South Korea, Japan, and Canada. In terms of imports, Turkey dominates, followed by Iran, Syria (before the conflict there), the EU, China, the United States, South Korea, and Jordan. In the Kurdish north, Turkey dominates the economy—55 percent of companies in the KRG are Turkish, and 80 percent of imports come from Turkey.³¹

The Baathist economy was completely dominated by the public sector, but post-Saddam governments in Baghdad as well as in Erbil have opened up the economy to private investment. As a sanctions- and war-ravaged country, Iraq has massive reconstruction, infrastructure, and development needs. Furthermore, there are avenues for a rich array of regional and international investors and companies to participate in Iraq's development.

Since 2007, when a measure of limited stability began to return to Iraq following the surge in U.S. troops, foreign investment has gone from a few hundred million dollars to over \$100 billion, and the number of foreign companies operating inside Iraq has climbed into the thousands. China has the largest number of firms, followed by Turkey, but the list also includes firms from the United States, Europe, Russia, India, Iran, Egypt, the UAE, Qatar, and many others. The largest sector of foreign investment and operation remains that of oil and gas. But other major sectors include construction and real estate, electricity, defense, transportation, telecommunications, agriculture, education, and healthcare.

To attract foreign investment into Iraq, the central government has offered various incentives: ten years' exemption from taxes; the ability to repatriate investments and profits from investments; the right to employ foreign workers when needed; the ability to obtain three years' exemption from import fees for required equipment; and the guarantee that the government will not nationalize or confiscate investments.³²

Baghdad has also signed various forms of investor protection agreements or memorandums of understanding with 32 bilateral partners and nine multilateral groupings, including the Arab League, Afghanistan, Bangladesh, Germany, India, Iran, Japan, Jordan, Kuwait, South Korea, Sri Lanka, Syria, Tunisia, Turkey, and the United Kingdom (UK). Iraq and the United States signed a Trade and Investment Framework Agreement in 2005, which the Iraqi

parliament finally ratified and brought into force in 2013. Baghdad and the EU signed a Partnership and Cooperation Agreement in 2012, and Iraq is in ongoing negotiations to join the World Trade Organization.

The explosive growth in foreign investment and contracting has occurred despite a very low level of governance, particularly at the central government level. The Baghdad government ranks 165 out of 185 countries in the 2013 Ease of Doing Business index, which measures whether a country's regulatory environment is conducive to starting and operating a local firm. And with high costs and the longest time required to export and import, Iraq ranked 179 out of 185 countries in the Trading Across Borders subcategory.³³

Iraq also ranked 169 out of 176 countries and territories in Transparency International's Corruption Perceptions Index. Politics is deeply mixed with business, and this has taken the form of what one journalist called the "direct looting of 'national' wealth by a new oligarchy composed of conflicting political groups and their economic and bureaucratic clients."³⁴ It is a measure of the perceived economic opportunities in Iraq, both today and in the future, that despite these dismal governance realities and despite continued security worries, so much investment and so many international firms have streamed into the country.³⁵

With over \$100 billion annually in oil revenues, Baghdad plans to spend tens of billions of dollars in the coming years on development and infrastructure projects. The ruling elites in both Baghdad and Erbil are closely integrated with—or in many cases part of—the emerging Iraqi private sector and hence have a great interest in maintaining and increasing these international economic ties and potentially doubling or tripling the size of the Iraqi economy. A coherent Iraqi foreign policy will be increasingly intertwined with the country's rich and complex economic, investment, and trade relations with regional and international partners.

Iraq's Bilateral Relations

The drivers and interests that influence Iraq's foreign relations play out in the bilateral relations between the country and the large number of regional and international players with which post-Saddam Iraq has engaged. There are common interests and threads that run through these bilateral relationships, but each relationship also has its own political and economic contexts. In many instances, the relations pursued by Baghdad differ from those pursued by Erbil.

Iraq and Iran: Friends Bordering on Allies

After the U.S. withdrawal from Iraq in 2011, there is little doubt that Iran is the greatest geostrategic winner in Iraq and has the largest amount of political influence there.³⁶ Iraq was—historically and until 2003—Iran's main strategic

threat, but it has gone from enemy to partner. Many of the current leaders in both Baghdad and Erbil have a history of good relations with Tehran, and the Shia-led government in Baghdad sees Iran as a long-term strategic friend in a potentially hostile Sunni-dominated rest of the region. But as Iraq's strategic interests also require the maintenance of good ties with Washington, Baghdad has been squeezed by the contradictory pulls of its relations with Iran and the United States. As a result, it welcomed the recent interim deal on Iran's nuclear program between Tehran and the five permanent members of the UN Security Council plus Germany (P5+1). Any reduction in the tensions between Iran and other regional and international players would alleviate the competing pressures in Baghdad's foreign policy.

Iran pursued an ambiguous policy toward the U.S.-led invasion and occupation of Iraq. It did not actively oppose the invasion that toppled the enemy regime of Saddam Hussein nor did it oppose American spending and training to equip Baghdad's new army. But later Iran used its political and intelligence influence to undermine the prospect of a long-term U.S. military presence and to consolidate clout among the new political elite in Baghdad. Many of the leaders of the Shia post-Saddam government spent years of exile in Iran, including Nouri al-Maliki and Muqtada al-Sadr, and Iraqi Grand Ayatollah Ali Sistani is an Iranian native. Iran had also sheltered and supported numerous Iraqi Shia groups, such as the Islamic Supreme Council of Iraq, the Dawa Party, and the Sadrist Trend. During the U.S. occupation, it supported these allies politically and provided arms to those organizations that opposed and fought the American presence.

Tehran also has good relations with the main parties of Iraq's Kurds. Erbil and Tehran shared a common enemy in Saddam Hussein and developed strong economic relations after 2003.

As the date of the U.S. withdrawal approached, Iran used its influence in Baghdad to oppose judicial immunity for U.S. or Western troops in Iraq and hence to scuttle the possibility of any long-term American military presence in the country; this was a principal strategic victory for Iran. The Maliki government nevertheless went ahead with a strategic agreement with the United States despite Iranian objections. But even Baghdad's major weapons deals with Washington are not altogether bad for Iran. The deals will bring fairly advanced U.S. equipment to Iraq, which will allow Iranian military engineers access to American military technology. This is important for maintaining and upgrading Iran's own equipment, much of which is American, and for countering potential military threats from the United States and Israel.

Maliki was not Iran's favorite Shia politician, nor was the Iranian regime enthusiastic about the State of Law coalition he formed prior to the 2009 Iraqi governorate elections. But Tehran gained considerable influence over Maliki by leaning on its Sadrist allies to enable him to form a government after the 2010 parliamentary elections. Maliki's list came in second to the Sunni-backed

Iraqiyya in these elections, but Maliki was able to overtake Iraqiyya's parliamentary plurality by forming a coalition with rival Shia groups, such as the Sadrist Trend, which joined him largely because of pressure from Iran.

Nevertheless, Maliki initially attempted to maintain an independent foreign policy, balancing close ties to Tehran with good relations with Washington and Ankara; Baghdad even sought to reclaim a central role for itself in the Arab world by hosting the Arab League meeting, first scheduled for 2011 but postponed and finally held in late March 2012.

The war in Syria polarized the region, however, and as the crisis progressed, Baghdad moved more clearly into an axis that includes Iran, the Assad regime, and Hezbollah and is backstopped internationally by Russia and China. Maliki's initial attempts to tread a middle ground gave way to greater support of the Assad regime. This included allowing Iran to ferry support over Iraqi air and land routes to the Assad regime and allowing some Iraqi Shia militias to cross the border and fight for Assad in Syria. Whether this alignment over Syria will permanently color Baghdad's foreign relations or whether its domestic politics and mix of external economic interests will push it to resume a more independent and centrist foreign policy is yet to be seen. For now, Iraq has voiced strong support for a proposed UN-backed peace conference, referred to as Geneva II, to help resolve the Syrian crisis.

Alongside similar interests in Syria, Baghdad and Tehran share energy interests. In addition to the deal for an Iran–Iraq–Syria gas pipeline, they have formed a partnership in the Organization of the Petroleum Exporting Countries (OPEC). Both favor high oil prices, while Saudi Arabia and the GCC favor moderate pricing. Baghdad has also stood with Tehran on issues of nuclear energy, openly defending Iran's right to pursue a peaceful nuclear program and warning against any attacks on Iran. At the same time, the rise of Iraq's oil production has actually helped the United States and the international community to impose sanctions on Iran without dramatically impacting oil prices.

Trade volume between Iran and Iraq reached \$8 billion in 2010 and continues to rise.³⁷ As Iran has suffered under sanctions, it has used Iraq as a main market for a wide range of commodity exports. Although Baghdad has repeatedly insisted that it has respected international economic sanctions against Iran, there is a large black market across the Iraq-Iran border, and Iran has likely been using Iraq as a main conduit for circumventing the sanctions. If these sanctions are gradually lifted, legal trade between the two countries could supplant black market trade, fostering wider and deeper economic exchange in various sectors.

Iranian companies have won major construction and infrastructure contracts in Iraq, and Tehran has also offered loans to Baghdad to aid in reconstruction. Iran has a particular interest in the southern Shia region of Basra and the holy sites of Najaf and Karbala, which hundreds of thousands of Iranian

pilgrims visit every year. Iran has offered infrastructure and housing projects in these sites in addition to its substantial electricity project in Najaf.

Despite this collaboration, there are a number of challenges in the Baghdad-Tehran relationship. The virtually landlocked and multicommunal Iraq cannot pursue the same radical policies that Tehran often does. The two countries have had border differences over water, oil, and security as well. Iranian damming of rivers and tributaries that flow into Iraq has caused protests among Iraqi farmers. A dispute over ownership of the Fakka oil field in the Misan Province almost led to minor armed clashes in 2009. And Iranian attacks against the bases of Iranian Kurdish separatists in the KRG have elicited repeated protests from Erbil and Baghdad.

Although there is considerable trade and political closeness between Baghdad and Tehran, cooperation in other areas—for example, energy, water, or military purchases—is surprisingly limited. Also, there are tensions over several significant issues. Most Iraqis—Shia included—reject the Iranian model of *velayat-e-faqih* (“rule by the jurispudent”), which affords a leading role to clerics in government. The two countries also disagree over whether Qom in Iran or Najaf in Iraq is the true center of Shiism. In addition, Iraqi and Arab nationalism is still quite present in Baghdad, and leaders there bridle at the suggestion that they are under Iran’s control. Especially now that Iraqi oil production has surpassed that of Iran, Iraq sees itself as a major player in the region’s history and future, not as a secondary nation to any other.

The Shifting Baghdad-Ankara-Erbil Triangle

Turkey’s relations with Iraq have gone through dramatic changes in the decade since the fall of the Saddam regime. Indeed, in the space of a few years, the Turkish-Iraqi relationship has completely changed from one based on Ankara-Baghdad cooperation to curb Erbil to one of Ankara-Erbil cooperation to curb Baghdad; from one in which Turkey saw Iraq’s Kurds as the major threat to one in which Ankara views Iraq’s Kurds as friends and allies while perceiving the Shia government in Baghdad as the hostile power.³⁸

Turkey opposed the U.S.-led invasion in 2003 and feared that the fall of the Saddam regime would lead to the breakup of Iraq and the escalation of Kurdish ambitions in northern Iraq for independence. Worried that Kurdish independence in Iraq could encourage demands for secession among Turkey’s own restive Kurdish population, Ankara scrambled to build good relations with the new authorities in Baghdad after Saddam’s fall in order to help re-create central Iraqi authority to curb Kurdish ambitions. Turkey was also drawn toward the enormous economic benefits of reconstruction in post-Saddam Iraq, seeing opportunities to grow Iraq as a major market for Turkish exports and access its vast oil and gas resources. This policy fit into Turkish Foreign Minister Ahmet Davutoğlu’s “zero problems with neighbors” policy and also

into Prime Minister Erdoğan's policy of rebuilding Turkey's relations in the Muslim world, including with the non-Sunni powers of Iran and Assad's Syria.

Ankara made numerous attempts to bolster its relations with both Sunni and Shia leaders in Iraq. It hosted Sunni Iraqi leaders in 2005 to encourage them to join the new, Shia-dominated post-Saddam political process and initiated a multinational "Neighboring Countries" process, which included the five permanent members of the UN Security Council, the Group of Eight countries, the UN, the Organization of Islamic Cooperation, the Arab League, and the European Commission and was designed to help Baghdad rebuild its regional and international relations. Erdoğan reached out to various Iraqi leaders and visited a Shia shrine in Najaf, declaring, "I am neither Sunni nor Shia, I am a Muslim." Trade boomed between Ankara and Baghdad, reaching \$6 billion in 2010, and Turkey announced that Iraq would be a good addition to the free trade zone that it had established with Syria, Lebanon, and Jordan.

But this pattern of good relations between Ankara and Baghdad dramatically changed around the turn of the decade. Turkey helped put together and supported the Iraqiyya list in the 2010 Iraqi elections; when that list finished first but Maliki outmaneuvered it to form the government, this left both Erdoğan and Maliki angry and accusing one another of playing sectarian politics. Relations deteriorated further as the Syrian uprising was met by bloody repression. Erdoğan had built very warm relations with Assad and urged him to institute rapid reforms when the protests started in Syria in March 2011. As the Assad regime ignored this advice and doubled down on violent repression, Erdoğan broke with the Syrian president, offered safe haven and support to the Syrian opposition, and made clear that Ankara wanted to see the overthrow of the Assad regime. And as Turkey moved to support the Syrian rebels, Baghdad was allowing Iran to move support across Iraqi land and airspace to the embattled Syrian regime.

The U.S. withdrawal from Iraq at the end of 2011 only heightened tensions. Geostrategically, the American withdrawal quickened the regional scramble for power—Ankara saw Baghdad drifting closer to Tehran and waging war to protect Iranian and Shia alliances in Syria; Baghdad saw Ankara siding with Sunni rebels in Syria and Sunni powers in the Gulf and Egypt and feared partial encirclement. Baghdad also accused Erdoğan of meddling in domestic politics by favoring Sunni politicians and backing Turkmen groups inside the country.³⁹

In addition, Baghdad was concerned about a notable improvement in Turkish-KRG relations that had taken place over the previous few years. From 2003 to 2007, Ankara and Erbil viewed each other virtually as enemies. Turkey feared that Iraq's Kurds would take advantage of their new autonomy to push for independence and help the PKK and their brethren in Turkey to oppose Ankara's central rule; Erbil was angered that Ankara appeared to be doing all it could to build good relations with Baghdad, Tehran, and Damascus in order to keep Kurdish ambitions at bay. Indeed, Turkish relations with those three

countries were partly based on the Adana Protocol of 1998 in which Syria renounced its support of the PKK.

Despite the general distrust, Ankara-Erbil relations were manageable up until 2003 as Barzani was helping Ankara against the PKK in exchange for Turkish support of the American-led no-fly zone that protected Iraq's Kurds from Saddam. In 2003, however, Ankara opposed opening a northern front against Saddam, partly to prevent U.S. forces working alongside the Kurdish peshmerga from moving from the north to take control of the strategic and disputed city of Kirkuk and its vast energy reserves. Turkey feared that Kurdish control of Kirkuk would give the KRG further economic grounds for power and independence; in this position Ankara had common ground with Baghdad. And all this put Turkish-KRG relations on tense footing.

As long as U.S. forces were deployed and dominant in post-Saddam Iraq, the country's Kurds felt strategically secure. But in 2008, when a Status of Forces Agreement between the United States and Iraq made it clear that U.S. troops would be leaving by 2011, Erbil needed to find new alliances to guard against the resurgent power of central authority in Baghdad. It moved to try to build good relations with Ankara. The United States had been working hard to improve ties between Ankara and Erbil since 2003 in order to help stabilize the post-2003 situation in Iraq. Erbil offered several enticements to Turkey, including lucrative construction deals, access to KRG energy resources, and promises to help moderate Kurdish positions in Turkey and to assist Ankara in dealing with the PKK.

These overtures began to bear fruit in 2010, when Ankara's relations with Baghdad started to turn sour. Ankara sought allies against Maliki and growing Iranian and Shia influence, so it moved closer to both the Kurds and Iraq's Sunnis. Turkish-KRG relations quickly blossomed, with Barzani visiting Ankara and Turkey opening a consulate in Erbil in 2010. Turkish companies currently account for 80 percent of imports into the KRG, and Turkey might be the only strategic bulwark in the future if Baghdad moves to threaten the KRG.⁴⁰

Indeed, in the space of a few years, Erbil has moved in Turkish calculations from enemy to ally. The relationship was strengthened further in the course of the Syrian uprising: Erbil helped corral the various Syrian Kurdish groups, including the Democratic Union Party (which is closely linked to the PKK), to join a Syrian Kurdish coalition that supports the uprising against the Assad regime and that does not raise the ante against Turkey. At the same time, Tehran and Damascus encouraged the PKK to escalate its attacks against Turkey. In March 2013, Ankara and PKK leader Öcalan reached a historic agreement to halt the thirty-year Kurdish insurrection and promote political dialogue, which constituted an important step forward for Turkish-Kurdish relations in general.

Economic and energy interests are also important to the Ankara-Erbil relationship. While Turkey has been losing ground in the southern governorates of

Iraq, it has doubled down on its energy and economic interests in the northern KRG region. While the United States had encouraged a general Ankara-Erbil rapprochement, it has been very critical of the use of this new axis to weaken central Iraqi government authority in Baghdad and potentially further destabilize and dismember Iraq. Washington has urged all three power centers to seek accommodation, and there is some evidence that this may come to pass. Indeed, in an October 2013 visit to Ankara, Iraqi Foreign Minister Zebari announced that the two countries' strained relations were improving and that Baghdad and Ankara would cooperate to curb the rising threat of jihadi extremism spilling over from Syria into their countries.⁴¹

Tense Neighbors: Iraq and the GCC

Relations of the new Shia-dominated government in post-Saddam Baghdad with the Sunni monarchies of the GCC have been predictably frosty. Nevertheless, these relations range from borderline hostile (Saudi Arabia and Qatar) to fairly businesslike (Kuwait and the UAE). The GCC countries shed no tears for Saddam but were alarmed when it became clear that his fall meant the rise of Shia domination over Iraq, the marginalization of the country's Sunnis, and a major geostrategic advance for their regional rival, Iran.

Saudi Arabia severed diplomatic relations with Iraq in 1990 after Saddam invaded Kuwait. Despite American urgings after the 2003 U.S. invasion, Riyadh refused to accept the new power realities in Baghdad or receive Maliki. Saudi Arabia backed Ayad Allawi and the Iraqiyya list in the 2010 elections and was dismayed when Maliki, with Iranian help, managed to form a government without Iraqiyya. As the Arab Spring unfolded, the two capitals differed over the uprising in Bahrain: Saudi Arabia backed the Sunni Al Khalifa monarchy and engineered a GCC military mission to quell the protests while Maliki expressed sympathy for the Shia-majority demonstrators.

Baghdad and Riyadh also differed sharply over the uprising in Syria, especially as it moved from protests calling for democracy in 2011 to civil war in 2012–2013. There was a brief thaw in the run-up to the Arab League summit held in Baghdad during which Saudi Arabia finally restored diplomatic relations, although only by sending its ambassador to Jordan to visit Baghdad occasionally. But Riyadh had used its clout to cancel the first Arab League summit, scheduled to take place in Baghdad in May 2011, and participated in the March 2012 summit only through a low-level delegation.

Relations are unlikely to improve. Maliki's hostile moves against Sunni leaders in Baghdad after the U.S. withdrawal, such as the arrests of Hashimi and of several bodyguards to former finance minister Rafi al-Issawi, who had criticized and boycotted Maliki's government, have angered Saudi Arabia. And Maliki's indirect support for the Assad regime—which Riyadh opposes—has sealed the current hostility between the two capitals. King Abdullah has been reported on WikiLeaks describing Maliki as an Iranian agent, and Riyadh

has consistently held the position that it does not trust Maliki and effectively refuses to do business with him.⁴²

Saudi Arabia has better relations with Erbil and the Kurdish north and has encouraged the Ankara-Erbil rapprochement as a way to curtail Shia and Iranian influence in Iraq. Saudi Arabia also has close ties with Sunni groups and leaders in Iraq; in addition, many of the jihadi fighters that joined the Sunni insurgency against the Shia-dominated Baghdad government and occupying U.S. forces were Saudi citizens who crossed the long and porous Saudi-Iraqi border.

The current economic interests between the two countries are very limited. Saudi Arabia has prohibited direct trade with Iraq for most of the past decade, and there is an unpaid \$20 billion Iraqi debt to Riyadh from the days of the Saddam regime. Baghdad has a keen interest in reopening the closed Iraq–Saudi Arabia pipeline, but no progress has been made on that front. The two also do not see eye to eye on production quotas and pricing in OPEC, with the Iraqis trying to push their production consistently higher while also favoring high prices. Iraq is already the third-largest exporter of oil to Asia. Saudi Arabia is worried that as Iraq's production mounts, it could close in on Saudi Arabia's dominance in global markets.

Although Baghdad's relations with Qatar have been marginally better than with Saudi Arabia, they are nonetheless very strained. Unlike Saudi Arabia, Qatar maintained cordial relations with Iran and established diplomatic relations with the post-Saddam state in Baghdad. But the Doha-based Al Jazeera television station carried negative coverage of the U.S.-led invasion and the toppling of Saddam's regime. It remained critical of the American-protected governments and later of Maliki and generally sympathetic to the "Iraqi resistance." Qatar also backed the Iraqiyya list in 2010 and later gave a red-carpet reception to Tariq al-Hashimi in Doha after he was pushed out of power by Maliki.⁴³ Baghdad and Doha also stand on opposite sides in the crisis in Bahrain and the war in Syria, and they do not share significant direct economic interests.

Kuwait and the UAE have taken a less political and more pragmatic and businesslike approach to relations with the new Baghdad. Kuwait has a tangled and difficult history with its large neighbor, and Iraq has a keen interest in maintaining and increasing its export capacity through the narrow strip of Iraqi shoreline between Kuwait and Iran. Kuwait restored diplomatic relations with Iraq after 2003, and the countries have exchanged delegations trying to resolve outstanding issues. Baghdad has still not formally recognized the land border demarcated by the UN, nor have all issues relating to outstanding Iraqi debts and missing Kuwaiti persons since the 1990 invasion been resolved.

In relation to maritime issues, the two countries have disagreements over the exact demarcation of their shared port space. The conflict over Iraq's intention to build one of the world's largest ports in the area of al-Faw and Kuwait's

similarly ambitious plans for a nearby port of its own has led the two countries to international arbitration. Several Kuwaiti companies are engaged in Iraq, particularly in the Kurdish north and—through Kuwaiti Shia family businesses—in Basra and the Shia south of Iraq. Unlike other GCC countries, Kuwait cannot afford to antagonize Baghdad because of its geographic proximity to Iraq. It must maintain good relations with its large neighbor.⁴⁴

The UAE's relations with post-Saddam Iraq have also favored pragmatism over politics. The UAE canceled Iraq's debt and restored diplomatic relations with Baghdad in 2008. In addition to the electricity deal between Baghdad and the UAE, Emirati leaders have recognized the business potential in oil-rich Iraq. Trade between the two countries has grown to almost \$4.5 billion and includes construction and building materials, iron and steel, and other products.⁴⁵

Emirati companies have also entered into the KRG market in northern Iraq. The Abu Dhabi National Energy Company, TAQA, purchased a 53 percent stake in the Atrush oil bloc in northern Iraq.⁴⁶ True to the largely commercial profile of its two main emirates—Abu Dhabi and Dubai—the UAE has favored business over politics.

Despite this diversity in diplomatic and business relations with GCC countries, the GCC as a political bloc—dominated by Saudi Arabia—still regards the Baghdad-led government with suspicion that borders on hostility. Geostrategic tensions between Saudi Arabia and Iran and sectarian tensions over Sunni-Shia relations throughout the Middle East—made worse by the war in Syria—ensure that Baghdad-GCC relations are likely to remain very strained for the foreseeable future.

Iraq's Relations With Syria, Jordan, and Egypt

Syrian-Iraqi relations under Saddam were those of bitter enemies, and several leaders of today's Iraq (such as Maliki and Jalal Talabani) had received refuge in Damascus while Saddam was in power. Nevertheless, Syria opposed the U.S. invasion that toppled Saddam, fearing the U.S. army might next turn against it. Damascus provided refuge for many Iraqi Baathist leaders and allowed jihadists to cross its border and join the insurgency. And although Damascus welcomed a friendlier government in Baghdad, it still harbored fears of domination by its historically powerful neighbor and cultivated relations with Iraq's Kurds and Sunni tribes, along with supporting elements of the insurgency, to keep Baghdad hemmed in. Through its close alliance with Lebanon's Hezbollah, Damascus also had good relations with some of Iraq's Shia groups that rivaled Maliki.

Baghdad and Damascus nevertheless restored diplomatic relations in 2006 and began to build cooperation.⁴⁷ Their most important joint interests were in energy, including the now-stalled attempts to resume pumping oil through the Iraq-Syria pipeline and the agreement to build an Iran-Iraq-Syria gas

pipeline. They also explored cooperation on trade, roads, rail networks, and border security.

But the relationship was late in blossoming and only began to improve significantly in 2010 and 2011. Syria, which had supported Iraqiyya in 2010, abandoned its support for Allawi and joined Iran in backing Maliki in the formation of his government. By this time it was clear that all U.S. forces would be leaving Iraq, so Damascus no longer had to worry about that risk. And by 2011, Syria and its allies were focused on the Syrian uprising. Damascus increasingly needed Tehran and Baghdad as the region's Sunnis, including Kurds, turned against it, and Baghdad and Tehran needed to help Damascus lest Syria fall under a hostile Sunni-dominated regime.

Baghdad's official position toward the conflict in Syria has consistently been to urge negotiation and a political resolution, and it has not openly taken sides as Iran and Hezbollah have done. However, Maliki began to lean more toward the embattled Assad regime as fears of a hostile takeover in Damascus increased. This shift altered Baghdad's foreign relations, pushing Maliki closer to Iran, reversing warm relations with Ankara, and ending any short-term hopes of rebuilding strong relations with the GCC or the wider Arab Sunni world.

The war next door also dramatically worsened Maliki's internal situation. Erbil, seeing the potential for Syrian Kurdish autonomy, was emboldened by the empowerment of its Kurdish brethren. Allying with Syria's Kurds, who enjoy a fair amount of independence in relatively oil-rich northeast Syria, also expanded Erbil's reach and brought the KRG a few steps closer to Mediterranean access.⁴⁸ In addition, grievances against Maliki, who had antagonized the Kurds over oil and gas issues and the disputed, resource-rich area of Kirkuk, encouraged them to support the Syrian opposition against Baghdad's wishes.

Many of Iraq's Sunnis, feeling marginalized by Maliki's rule, openly supported the Syrian uprising in hopes that a Sunni resurgence in Syria would empower them against their own Shia-dominated central government. Maliki feared that a Sunni-dominated power in Syria would give Iraq's Sunnis backing to challenge his—and the Shia community's—hold on power in Baghdad. And this prospect was especially dangerous because it came at a time when Maliki's moves against Hashimi and other prominent Sunni politicians and his use of the army against Sunni protesters in some of Iraq's northwestern provinces had enraged Iraqi Sunnis and threatened to reignite the sectarian civil war in Iraq that had only recently been calmed.

Maliki's government has also been alarmed that the fighting in Syria has contributed to a resurgence of al-Qaeda in Iraq. The war against the Assad regime has prompted thousands of foreign jihadi fighters to make their way to Syria, and many of them have come through Iraq or now go back and forth across the porous Iraqi-Syrian border. Al-Qaeda in Iraq, which had declined somewhat in recent years, rebranded itself al-Qaeda in Iraq and the Levant in 2012 and has become one of the strongest armed groups in northern Syria. Fighting al-Qaeda

has become a primary concern of the Maliki government and is now driving many of its discussions with other countries in the region and around the world.

Baghdad's post-Saddam relations with its other western neighbor, Jordan, have been businesslike. Although Jordan previously had intermittently good relations with Saddam's regime, it also had strategic relations with the United States and was one of the operational territories for the U.S. invasion and occupation of Iraq. Jordan thirsted for Iraq's energy resources, and Iraq valued Jordan's access to the Red Sea. The Jordanian economy also benefited from exports to Iraq and provided banking and business services for firms hesitant to operate directly in the dangerous Iraqi environment. Jordan already receives some oil from Iraq, and one-fourth of Jordanian industrial exports go to Iraq.

But Amman worries about the security implications of radical jihadi groups in the turbulent Anbar Province and has had to handle the influx of over half a million Iraqi refugees into Jordan. Politically, Jordanian King Abdullah has remained closely aligned with the GCC and has spoken out against the so-called Shia crescent, or the idea that the Shia-dominated alliance of Iran, Iraq, Hezbollah, and Assad's Syria might gain more influence in the region.

As Syria has descended into conflict, Iraqi-Jordanian relations have taken on more importance as the overland route through Syria is no longer available. And given the planned Basra–Aqaba double pipeline and the possibility of rerouting the Iran–Iraq–Syria gas pipeline through Jordan,⁴⁹ Baghdad and Jordan appear set to remain important economic partners.

Iraq's relations with the largest Arab country, Egypt, were businesslike under former Egyptian presidents Hosni Mubarak and Mohamed Morsi. The two countries do not share a border, so Egypt has been able to prioritize economic over immediate security interests. The outlines of this relationship are unlikely to change dramatically in the wake of the ouster of President Morsi by the military in July 2013.

After the U.S. invasion of Iraq, Cairo generally tried to encourage Iraq back into the Arab fold. In 2004, Egypt hosted a conference on Iraq as part of a bid by Mubarak to regain a regional leadership role, which was ultimately unsuccessful (Egypt's influence remains a shadow of its former self and its power is eclipsed by Iran, Turkey, and Saudi Arabia and is rivaled by Qatar, the UAE, and other small powers). In 2005, Egypt was the first Arab country to restore diplomatic relations with Baghdad.⁵⁰

Morsi came to power in June 2012, and his Muslim Brotherhood government eventually cut Cairo's diplomatic ties to the Assad regime in Damascus and differed sharply with Maliki over the Syrian crisis. But both sides sought to rebuild economic relations between Baghdad and Cairo, which had slowed considerably. After Morsi was removed from power, the military-backed

Fighting al-Qaeda has become a primary concern of the Maliki government and is now driving many of its discussions with other countries in the region and around the world.

government in Cairo moderated its position on Syria. It is likely to continue to seek good business relations with Iraq.

In the better years of Egyptian-Iraqi relations—particularly in the 1980s—Iraq absorbed hundreds of thousands of Egyptian workers and was a source of cheap oil. Trade now is at a modest \$2 billion, although both sides aim to boost it, and the number of Egyptians working in Iraq, given the security situation, is quite limited.⁵¹

Egypt also has strong relations with the Iraqi Kurds. Cairo was the first Arab capital to establish a consulate in Erbil, and Egyptian firms have been working in the KRG region as well as in Iraq's southern half.

Iraq and the United States

After a military engagement that left over 4,500 American soldiers dead, 33,000 wounded, a trillion dollars in direct expenses and several times that in indirect costs, the United States has relatively little to show for its “investment” in Iraq. With no combat troops left in the country and little money left to expend on it, the United States has very limited influence over the new Iraq. The ambition that post-Saddam Baghdad would be a staunch American ally in the region or a pliant client has come to naught. Maliki has resisted U.S. dictates and pursued his own policies both internally and externally. This became apparent after the U.S. withdrawal when the United States was unable to get the Maliki government to call for Assad's departure in Syria or to stop Iranian overland and air transfers of military support to the Assad regime.

U.S.-Iraq relations are governed by two agreements signed in 2008: the Status of Forces Agreement that stipulates a full American military withdrawal from Iraq by December 2011 and a strategic framework agreement defining relations on economy, culture, science, technology, health, and trade. The number of personnel in the massive U.S. embassy complex (and three consulates) is dropping rapidly. From 16,000 in 2012, there are expected to be no more than around 5,500 by the end of 2013—and most of those are security and other contractors. Iraq no longer registers as a high priority in Washington. The Obama administration seems satisfied that it extricated the United States from what it perceives as a disastrous and ill-conceived adventure and seeks mainly to keep Iraq out of the headlines and to curb Baghdad's support for the Assad regime. There is little strategic ambition in the relationship any more.

Nevertheless, the United States is still an important factor in Iraqi foreign relations. Washington is Baghdad's main arms partner, and they share a revived concern about a resurgent al-Qaeda in Syria and Iraq. The two also have important economic and energy relations. They trade extensively, with Iraqi oil exported to the United States and a range of U.S. products being imported into Iraq. But Iraq also imports products from a wide range of other countries, East and West.

The U.S. relationship with the Kurdish north was strong before 2003 and remains strong today. The United States led the creation of the northern no-fly zone during Saddam's days, and after 2003 it pushed a federal constitution for Iraq that allowed extensive autonomy for the KRG. Washington had been pushing a rapprochement between Ankara and Erbil for years, especially as U.S. ambitions for strong relations with post-Saddam Baghdad had been disappointed. The drift of American oil companies north has also deepened U.S.-KRG interests.

Russia's Mideast Resurgence

Russia was a longtime ally of Saddam Hussein and helped build up his regime's military and energy capacities. Although the relationship withered after the Iraqi invasion of Kuwait and Iraq's subsequent UN-mandated isolation, Russia feared that the U.S. invasion would shift post-Saddam Iraq decisively into the American camp and out of Moscow's reach. The Kremlin spoke out against the invasion but took no major action to stand against it. Russia was just emerging under President Vladimir Putin from a decade of internal troubles and global retreat, and Putin still put much stock in the future of the relationship with the United States and then U.S. president George W. Bush, with whom he had found areas of common concern over the war against al-Qaeda, the Taliban, and Islamist radicalism.

But as Russian-U.S. relations cooled over Russian perceptions of American support for the velvet revolutions in Eastern and Central Europe, the eastward extension of the North Atlantic Treaty Organization, and missile defense systems, the U.S. military adventure in Iraq had unforeseen positive consequences for Russia. It exhausted American hard power, sapped its soft power, and drove oil prices—and Russian energy revenues—sky high. By the end of the decade, the United States was in strategic retreat, Baghdad emerged as decidedly not a U.S. lackey or ally, and Russia could begin reexploring its interests in Iraq, which centered on gaining a share of the country's energy and arms markets.

To reengage with Baghdad, Russia made two concessions: it forgave Iraq's \$10 billion debt and decided not to pursue its complaint that Iraq had cancelled a major oil agreement that Russian oil company Lukoil had signed with Saddam's government before the U.S. invasion. In 2009, Lukoil and another of Russia's major energy companies, Gazprom, joined the bidding round and won rights to develop parts of two of Iraq's main oil fields, West Qurna and Bedra. In July 2013, Maliki visited Moscow reportedly to convince Russian companies to replace ExxonMobil, which is looking to reduce its stake in the West Qurna field. Baghdad was angered over Exxon's agreements with the KRG and was apparently eager to play off of Russian-American rivalries.

Indeed, Russia is rebuilding its profile as a strategic player in the Middle East, and relations between Baghdad and Moscow might be part of that trajectory. Maliki is eager to counterbalance American weapons purchases and oil

contracts with Russian ones. More importantly, the war in Syria has affected Baghdad's and the region's strategic alignments as they relate to Russia.

Between the two U.S. Gulf Wars of 1990 and 2003, Russia was notable for its strategic absence; in the Syrian uprising, however, Russia has taken a major stand.⁵² Russia went along with a UN Security Council resolution in 2011 to support a no-fly zone in support of rebels opposing then Libyan leader Muammar Qaddafi, but Putin felt that the West betrayed the resolution and waged an aerial war to undertake direct regime change there. When the Syrian uprising escalated and debate began as to whether the international community should intervene against Assad, Russia took a firm position against any intervention. Moreover, Russia moved to provide open political and military support to the embattled Assad regime. As the region polarized, Russia ended up being the international patron of the regional alliance backing Assad, which includes Tehran, Baghdad, Damascus, and Hezbollah. Whether, within this context, relations between Baghdad and Moscow will deepen further is yet to be seen.

China and Iraq's Energy Future

If the Iraq War was at least partially fought for oil, then the winner would have to be declared China. Beijing currently imports about 315 thousand barrels of Iraqi crude per day, but that figure could climb to around 2 million over the next two decades. Iraq has become increasingly important to Beijing as Chinese oil imports from Iran have declined—partly the effect of sanctions on Iran's output capacity and partly the international complexity of importing from Iran through the net of sanctions. China has firmed up its relations with Baghdad by forgiving 80 percent of Iraq's \$8.5 billion debt and signing multibillion-dollar trade deals and contracts in electricity production, transport, infrastructure, and housing.⁵³ Potentially, Baghdad could be a future customer of China's budding defense export industry. In the long term, energy and defense cooperation could help define new strategic balances in the region. For now, the relationship is all business.

Europe and Iraq: Resuming Business

Europe was divided over the 2003 U.S. invasion of Iraq. The UK backed the United States from the beginning and was joined by Spain and Italy, while France and Germany led the camp opposing the invasion. The UK, Spain, and Italy participated with troops and some postwar aid, but the EU as a body remained initially disengaged. After the toppling of Saddam's regime, the EU provided humanitarian and relief aid and pushed for a transfer of authority to the UN, which did not occur. Eager to find a political process it could endorse, the EU provided funding for the first postwar elections in 2004 and

has maintained steady funding and technical support for subsequent referenda and elections.

As the Iraqi economy picked up, trade between Baghdad and the EU countries increased. Maliki and the EU signed a Memorandum of Understanding on Energy Cooperation in 2010. In 2012, after years of negotiations, they signed a more comprehensive Partnership and Cooperation Agreement that provides a framework for cooperation in many areas, including trade and investment, health and education, energy, environment, and the fields of justice and security. Iraq and the EU have become important trading partners: Europe is the second-biggest exporter to Iraq, after the United States, and Iraq has become the tenth-largest provider of energy for Europe. European countries have an interest in stability and further growth in Iraq and share a concern for the continued internal tensions in the country and the potential impact of the Syria crisis.

Looking Ahead

In the immediate future, Iraq's tangled foreign relations are not likely to undergo a systemic transformation. The country needs to maintain working relations with a wide array of states and economies in the region and the world, but its factions will continue to jockey for internal advantage and seek favor among regional rivals. This will likely thwart Baghdad's attempts to centralize power.

Iraqi foreign policy is unlikely to be unified anytime soon. Major decisions will be made by the prime minister in Baghdad, but Erbil will continue to set its own course as much as it can, and Sunni parties will continue to be empowered by events in Syria to pursue their own foreign relations. Until Iraqis can resolve major remaining issues—such as power sharing, internal borders (particularly Kirkuk), decentralization or federalism, sharing of oil revenues, and control of the armed forces—Iraq's foreign relations will be as tangled and contested as its internal politics.

Overall, the press of economic interests—of which the various ruling elites and their crony clients are main beneficiaries—will continue to impose a fairly broad sense of pragmatism and interest-based foreign policy on Iraq's decision-making centers. Leaders in Baghdad and Erbil have a preference for pursuing external relations that build their economy and benefit them at the same time, and they appear to have little interest in, or appetite for, becoming full players in rigid regional or international axes that might bring new waves of confrontation and warfare. Internally, Iraqis have little choice but to eventually learn how to coexist peacefully; similarly, externally, Iraq's leaders have little choice but to learn how to balance and manage their various, and often contradictory, foreign interests and relations.

Iraq faces a difficult path if it hopes to become an influential player in the region or internationally. Although it made a bid to regain a regional role for

Iraq's leaders have little choice but to learn how to balance and manage their various, and often contradictory, foreign interests and relations.

itself in 2012 by hosting the Arab League summit and P5+1 talks on Iran's nuclear program, Iraq has not been able to capitalize on that momentum.

The Syrian crisis has polarized the region and pushed Baghdad into a position of virtual hostility with much of the Arab world. Also hindering Iraq's ability to regain external influence are its acute internal divisions and its inability to control its borders and airspace. Promised arms deliveries may help Baghdad exert control, but the road to overcoming Iraq's internal division has no clear timetable. Parliamentary elections are set to occur in 2014, but whether they will provide an opportunity for reconciliation and a new start or be another step along the path to an increasingly authoritarian Maliki's consolidation of centralized power remains to be seen.

Nevertheless, the country is already casting a significant economic shadow. Its economy is growing fast and has drawn in massive regional and international investment; if it continues to grow at this pace it will emerge as one of the major economies of the region, alongside Turkey's, Iran's, and those of the Gulf monarchies. The interests and relations built into this economic growth should be important factors in pushing for regional accommodation and avoiding costly confrontation. And perhaps more significantly, Iraq will become an increasingly important player in global oil markets. Despite its internal dysfunctions, Iraq will be a producer to pay attention to in the global economy of this century.

The future of Iraq's foreign relations also much depends on outcomes in its surrounding region. Iraq has already been impacted by the war in Syria both internally, in terms of heightened tensions with the Kurdish and Sunni communities and the resurgence of al-Qaeda, and externally, in terms of trying to accommodate contradictory external pressures and considerations. If the Assad regime holds on in Syria and that country enters a long period of internal division without any side winning outright—a situation not dissimilar to the balance between Baghdad and Erbil—Iraq could probably coexist with that reality (although with recurring internal crises). But Iraq has much to gain from a negotiated resolution to the war in Syria—through Geneva II or any other mechanism—and in regional and international cooperation in combating al-Qaeda.

Baghdad would also benefit from a thaw in Iran's relations with countries in the Middle East and the West. Any such development would reduce the contradictions in Baghdad's own foreign interests, which require good relations with Iran as well as with many of Tehran's erstwhile opponents. The course of Iran's nuclear talks with the P5+1 could therefore dramatically affect Iraq, and Baghdad warmly welcomed the interim agreement reached in November 2013. If the parties eventually reach a permanent deal that gives international guarantees about the future of Iran's nuclear program—especially one that leads to

the lifting of sanctions imposed on Iran and the reintegration of Tehran into the global and regional communities—Iraq will benefit even further. If Iran's relations with key players in the Middle East and around the world improve, the United States, Russia, and other regional powers may be more willing to step back from their proxy war in Syria and find a negotiated outcome to the conflict. Any reduction in regional polarization would also tamp down internal tensions in Iraq by reducing the impetus for various powers in the Middle East to back rival Iraqi factions. And improved Iran-GCC relations would increase the chances for better political and economic relations between Iraq and the Gulf monarchies, particularly Saudi Arabia, which refuses to deal with Baghdad as long as it perceives Maliki as part of a hostile Iranian axis. In addition, Iraq would benefit from increased trade and economic opportunity if the Iranian economy were to rebound.

But if the talks were to lead to a dead end and international tensions with Iran were to escalate once again, Iraq would be at renewed risk. Most importantly, if any combination of countries eventually launched an attack on Iran, the impact on Iraq would be very negative—the internal political implications in Iraq would be hard to predict, the Baghdad government would have to stand with Tehran in one way or another, and, most importantly, the closure of the Straits of Hormuz would cut most of Iraq's ability to export oil. Iraq might not be able to survive such an attack.

In the meantime, the leaders in Baghdad have their hands full managing internal political differences, facing down a renewed al-Qaeda threat, reintegrating Iraq into the region and the world, building profitable—both for them and, in some cases, for the public interest—foreign economic relations, and trying to avoid especially disruptive internal or external conflict. The challenge of overcoming internal differences and building national stability and cooperation will remain a principal one; and the challenge of preventing external regional differences from fomenting internal wars or major regional confrontations will also be important. In some cases, the best that can be hoped for is to muddle through without conditions becoming considerably worse.

As it is, Iraq has made tremendous progress since 2007. Although it still has major internal dysfunctions and problems to overcome, Iraq has come a long way, especially considering the country's very difficult political past and the tense regional environment in which it has to operate.

International actors should appreciate the complexities and contradictions of Iraq's foreign relations but also take note of the large margin of pragmatism and centrism that influences its foreign relations. This is especially important in a region where all players have taken combative sides—especially over Syria—and in which previously pragmatic and centrist countries, like Turkey, for example, have also abandoned the middle. Baghdad and Erbil have both abandoned that middle as well over the past year, but Iraq's interests would be

better served by it becoming a centrist player in the long run than by aligning rigidly with one set of countries against others.

In the coming years, and despite recent polarization both internally and externally, Iraq will continue to have strong relationships internationally with the United States and the West in general, as well as with Russia, China, and India. Regionally, it will remain close to Iran, but it would prefer to also be able to reconstruct the web of relations it was building before the war in Syria—which included good relations with Iran, Turkey, Syria, and some members of the GCC—than to have to pick sides.

Like much in the Middle East, the building of Iraq's foreign policy is still a work in progress, but Iraq can be an engine for regional economic growth as well as a force for regional accommodation and long-term stabilization. Whether its own leaders—or the leaders of regional or international powers—will be able to move forward in that direction is a challenge that the following months and years will reveal.

Notes

- 1 See Toby Dodge, "State and Society in Iraq Ten Years After Regime Change: The Rise of a New Authoritarianism," Royal Institute of International Affairs, 2013, www.chathamhouse.org/sites/default/files/public/International%20Affairs/2013/89_2/89_2Dodge.pdf.
- 2 "Iraqi Foreign Policy: Actors and Processes," Royal Institute of International Affairs, November 2012, www.chathamhouse.org/sites/default/files/public/Research/Middle%20East/1112iraq_summary.pdf.
- 3 "Iraq Seen as Major Arms Buyer by 2020," United Press International, January 4, 2013, www.upi.com/Business_News/Security-Industry/2013/01/04/Iraqs-seen-as-major-arms-buyer-by-2020/UPI-91261357319593/?rel=68701357323613.
- 4 "Iraq to Resume \$4.2bn Russian Arms Deal," RT, April 1, 2013, <http://rt.com/news/russia-Iraq-arms-contract-146>.
- 5 Ibid.
- 6 "Iraq Signs \$1.1 bn Deal to Buy S. Korean Fighters," Agence France-Presse, December 12, 2013, www.google.com/hostednews/afp/article/ALeqM5gS491WjDKZTE4fAeRWdxabkDlhkQ?docId=6e00c1f5-39e9-436a-a952-e87e3eccdd0b.
- 7 Ahmed Hussein, "Barzani Informs Russia About KR's Inability to Purchase Weapons Without CG's Approval," Iraqi News, February 25, 2013, www.Iraqinews.com/baghdad-politics/barzani-informs-russia-about-kr-s-inability-to-purchase-weapons-without-cg-s-approval.
- 8 International Monetary Fund, "Iraq: Selected Issues," IMF Country Report no. 13/218, July 2013, www.imf.org/external/pubs/ft/scr/2013/cr13218.pdf.
- 9 "Iraq's Oil Plan to Rival Russia and Saudi," Sky News, June 12, 2013, <http://news.sky.com/story/1102691/iraqs-oil-plan-to-rival-russia-and-saudi>.
- 10 Daren Butler, "Blast Hits Kirkuk-Ceyhan Pipeline, Oil Flows Continue," Reuters, January 21, 2013, www.reuters.com/article/2013/01/21/us-turkey-iraq-oil-idUSBRE90K0CD20130121?feedType=RSS&feedName=environmentNews&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+reuters%2Fenvironment+%28News+%2F+US+%2F+Environment%29.
- 11 Orhan Coskun and Humeyra Pamuk, "Iraqi Kurdistan Poised to Pipe Oil to World via Turkey," Reuters, April 17, 2013, www.reuters.com/article/2013/04/17/us-iraq-kurdistan-oil-idUSBRE93G08Q20130417.
- 12 John Lee, "Iraq, Jordan Sign Oil \$18bn Pipeline Deal," Iraq-Business News, April 9, 2013, www.Iraq-businessnews.com/2013/04/09/Iraq-jordan-sign-oil-18bn-pipeline-deal.
- 13 Lawrence Kumins, *Iraq Oil: Reserves, Production, and Potential Revenues*, CRS Report for Congress, April 13, 2005, www.fas.org/sgp/crs/mideast/RS21626.pdf.
- 14 Nayla Razzouk, "Iraq Controls Kurdish Oil Exports Under New Accord, Luaibi Says," Bloomberg, December 3, 2013, www.bloomberg.com/news/2013-12-03/iraq-controls-kurdish-oil-exports-under-new-accord-luaibi-says.html.

- 15 Thomas Grose, "Iraq Poised to Lead World Oil Supply Growth, But Obstacles Loom," *National Geographic*, October 9, 2012, <http://news.nationalgeographic.com/news/energy/2012/10/121009-iraq-oil-production>.
- 16 Tamsin Carlisle, "Turkey Seeks Gas From Iraq to Diversify Supplies: Officials," *Platts*, May 21, 2012, www.platts.com/RSSFeedDetailedNews/RSSFeed/NaturalGas/6313786.
- 17 "Iran Signs \$10 Billion Gas Deal With Syria, Iraq," *Huffington Post*, July 25, 2011, www.huffingtonpost.ca/2011/07/25/iran-gas-iraq-syria_n_908314.html.
- 18 Martin Chulov, "Water Shortage Threatens Two Million People in Southern Iraq," *Guardian*, August 26, 2009, www.guardian.co.uk/world/2009/aug/26/water-shortage-threat-iraq.
- 19 Omar al-Shaher, "Iraqi Agriculture in Crisis," *Al-Monitor*, January 29, 2013, www.al-monitor.com/pulse/originals/2013/01/iraq-farmers-abandon.html.
- 20 Chulov, "Water Shortage Threatens Two Million People in Southern Iraq."
- 21 "Iraq: Drought Hits Rice, Wheat Staples," *IRIN*, August 31, 2009, www.irinnews.org/Report/85925/IRAQ-Drought-hits-rice-wheat-staples.
- 22 Chulov, "Water Shortage Threatens Two Million People in Southern Iraq."
- 23 Zeynep Gurcanli, "Turkey-Iraq-Syria to Form a Water Institution," *Hurriyet Daily News*, March 2008, www.hurriyet.com.tr/english/turkey/8447636.asp.
- 24 Nasir Hassoun, "Iraq: Accusations of Squandering \$28 Billion on Power Projects," *Al-Hayat*, August 2, 2012, available at www.al-monitor.com/pulse/contents/articles/politics/2012/08/iraq-accusations-of-squandering.html#ixzz2ZHnmCHpa.
- 25 "Iran Builds Power Station in Iraq," *Turkish Weekly*, July 20, 2012, www.turkishweekly.net/news/138902/iran-builds-power-station-in-iraq.html.
- 26 "Iraq to Import Electricity From UAE," *Iraq Business News*, May 16, 2012, www.iraq-businessnews.com/2012/05/16/iraq-to-import-electricity-from-uae; "Iraq and UAE Sign Electricity Contract," *Albawaba Business*, April 16, 2012, www.albawaba.com/business/uae-iraq-electricity-contract-421108.
- 27 Khalid al-Taie, "Iraq Connects Electricity Grid to Regional Network," *Al-Shorfa*, July 2, 2012, http://mawtani.al-shorfa.com/en_GB/articles/iii/features/iraqtoday/2012/02/07/feature-02.
- 28 Joel Wing, "Iraq's National Electrical Grid Continues to Struggle, While Kurdistan's Flourishes," *Musings on Iraq*, November 12, 2012, <http://musingsoniraq.blogspot.jp/2012/11/iraqs-national-electrical-grid.html>.
- 29 Harith Hasan, "Iraq's Dysfunctional Elite," *Al-Monitor for Iraq Pulse*, August 9, 2013, www.al-monitor.com/pulse/originals/2013/08/iraq-political-elites-dysfunction-electricity-shortage-fraud.html#ixzz2efTsAvAJ.
- 30 International Monetary Fund, "Iraq: 2013 Article IV Consultation," IMF Country Report no. 13/217, www.imf.org/external/pubs/ft/scr/2013/cr13217.pdf.
- 31 Hasan Turunc, "Turkey's Global Strategy: Turkey and Iraq," *LSE Ideas*, 2011, http://eprints.lse.ac.uk/43503/1/Turkey%27s%20Global%20Strategy_Turkey%20and%20Iraq%28lsero%29.pdf.
- 32 "The New Iraq: 2011 Discovering Business," *Allurentis*, November 2010, www.dunira.com/documents/TheNewIraq2011DiscoveringBusiness.pdf.
- 33 "Ease of Doing Business in Iraq," *World Bank Group*, 2012, www.doingbusiness.org/data/exploreconomies/iraq.
- 34 Hasan, "Iraq's Dysfunctional Elite."
- 35 "World Trade Indicators 2009–2010: Iraq Trade Brief," *World Bank*, 2010, http://info.worldbank.org/etools/wti/docs/Iraq_brief.pdf.
- 36 Javad Heydarian, "Iran Gets Close to Iraq," *Diplomat*, January 24, 2012, <http://thediplomat.com/new-leaders-forum/2012/01/24/iran-gets-close-to-iraq>.
- 37 Aref Mohammad, "Iran Eyes Doubling Iraq Trade to \$8 Billion in 2010," *Reuters*, February 21, 2010, www.reuters.com/article/2010/02/21/us-iraq-trade-iran-idUSTRE61K1PE20100221.

- 38 John Hannah, "Turkey, Kurdistan and the Future of Iraq: Time for Washington to Tune Back In," Foreign Policy Shadow Government, May 31, 2012, http://shadow.foreignpolicy.com/posts/2012/05/31/turkey_kurdistan_and_the_future_of_iraq_time_for_washington_to_tune_back_in.
- 39 Mehmet Yegin and Hasan Selim Özerterem, "Turkey-Iraq Relations: From Close Partners to Adversaries," German Marshall Fund of the United States, January 7, 2013, www.gmfus.org/wp-content/blogs.dir/1/files_mf/1357578164Ozerterem_Yegin_TurkeyIraq_Jan13.pdf.
- 40 Turunc, "Turkey's Global Strategy: Turkey and Iraq."
- 41 Humeyra Pamuk and Tulay Karadeniz, "Turkey, Iraq Eye Closer Cooperation on Syria as Relations Thaw," Reuters, October 25, 2013, www.reuters.com/article/2013/10/25/us-turkey-iraq-idUSBRE99O0HX20131025.
- 42 Roy Gutman, "As U.S. Departs Iraq, It Leaves Two Allies That Aren't Speaking," McClatchy, December 18, 2011, www.mcclatchydc.com/2011/12/18/133219/as-us-departs-iraq-it-leaves-behind.html.
- 43 "Iraq, Qatar Ties Strained Over Fugitive al-Hashemi," *Hurriyet Daily News*, April 3, 2012, www.hurriyetdailynews.com/iraq-qatar-ties-strained-over-fugitive-al-hashemi.aspx?pageID=238&nid=17493.
- 44 James Calderwood, "Kuwait and Iraq Work to Repair Relations," *National*, January 14, 2011, www.thenational.ae/news/world/middle-east/kuwait-and-iraq-work-to-repair-relations.
- 45 Daniel Canty, "UAE Trade With Iraq Hit \$4.5 Billion in 2011," *arabianoilandgas.com*, January 18, 2012, www.arabianoilandgas.com/article-9859-uae-trade-with-iraq-hit-45-billion-in-2011/#.UmqR5fmmgbg.
- 46 Nicole Leonard, "Investing in Kurdistan's Oil Boom: A Good Idea for Abu Dhabi?" *Your Middle East*, April 29, 2013, www.yourmiddleeast.com/features/investing-in-kurdistans-oil-boom-a-good-idea-for-abu-dhabi_11888.
- 47 Richard Weitz, "Syria-Iraq Relations Without Saddam," *SLD*, September 2, 2012, www.sldinfo.com/syria-iraq-relations-without-saddam.
- 48 Michael Knights, "Syria's Eastern Front: The Iraq Factor," *Washington Institute for Near East Policy*, July 6, 2012, www.washingtoninstitute.org/policy-analysis/view/syrias-eastern-front-the-iraq-factor.
- 49 Interview with Jordanian minister of planning Ibrahim Saif, May 2013.
- 50 "Egypt-Iraq Relations," *World Politics Review*, December 10, 2010, www.worldpoliticsreview.com/trend-lines/7299/global-insider-egypt-iraq-relations.
- 51 "Iraq to Increase Trade With Egypt," *Nuqudy*, April 17, 2012, http://english.nuqudy.com/Gulf/Iraq_to_Increase_Tr-1628.
- 52 Fyodor Lukyanov, "What Russia Learned From the Iraq War," *Al-Monitor*, March 18, 2013, www.al-monitor.com/pulse/originals/2013/03/russia-iraq-10-year-anniversary-putin-bush-syria.html.
- 53 "The Chinese National Petroleum Company," *International Resource Journal*, March 10, 2013, www.internationalresourcejournal.com/features/features_march_10/the_chinese_national_petroleum_company.html.

Carnegie Middle East Center

The **Carnegie Middle East Center** is a public policy research center based in Beirut, Lebanon, established by the Carnegie Endowment for International Peace in 2006. The Middle East Center is concerned with the challenges facing political and economic development and reform in the Arab Middle East and aims to better inform the process of political change in the region and deepen understanding of the complex issues that affect it. The Center brings together senior researchers from the region, as well as collaborating with Carnegie scholars in Washington, Moscow, and Beijing and a wide variety of research centers in the Middle East and Europe, to work on in-depth, policy-relevant, empirical research relating to critical matters facing the countries and peoples of the region. This distinctive approach provides policymakers, practitioners, and activists in all countries with analysis and recommendations that are deeply informed by knowledge and views from the region, enhancing the prospects for effectively addressing key challenges.

The **Carnegie Endowment for International Peace** is a unique global network of policy research centers in Russia, China, Europe, the Middle East, and the United States. Our mission, dating back more than a century, is to advance the cause of peace through analysis and development of fresh policy ideas and direct engagement and collaboration with decisionmakers in government, business, and civil society. Working together, our centers bring the inestimable benefit of multiple national viewpoints to bilateral, regional, and global issues.

BEIJING

BEIRUT

BRUSSELS

MOSCOW

WASHINGTON

THE GLOBAL THINK TANK



CARNEGIE
MIDDLE EAST CENTER

Carnegie-MEC.org