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Making Sense of Iran's Iraq Policy

Broader Parameters of Iranian Interests

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Amid the onslaught of the Islamic State in Iraq and the Levant (ISIL), the nature of the relationship between Iran and post-Saddam Iraq is key to grasping and calibrating the fight against the militant group.

When discussing a state's influence in a certain territory, there is a need to discuss the state in question's interests and their origins. Iran's main objectives in Iraq can be divided under three primary parameters: maintaining the country's territorial integrity, seeking qualified stability and expanding its economic sphere.

The concerns pertaining to the Iranian interest in ensuring the continuity of the borders of the Iraqi nation-state are rooted in one assumption: anything beyond federalism is bound to open a Pandora's box with far-reaching consequences.

Executive Summary

Iran's relationship with Iraq has come into the limelight amid the onslaught of the Islamic State in Iraq and the Levant (ISIL). Iranian policy is geared towards maintaining Iraq's territorial integrity, secure qualified stability and expand Iran's economic sphere. To maximize its influence in Iraq, Tehran has been playing the long game, exploited the mistakes of other foreign actors, diversified its relationships with Iraqi factions, seized on Baghdad's limited alliance options and sought a constructive relationship with Grand Ayatollah al-Sistani.

To promote engagement between Iran and the West on the many interests they share in the Middle East, including Iraq, Western policymakers should adopt more flexibility and willingness to recognize realities on the ground, regardless of how bitter they may be. Key among these realities is the continued relevance of the Syrian regime, despite years of armed conflict. Moreover, to help kick-start serious engagement with Tehran on regional issues, Western policymakers should make use of the current window of opportunity to reach a comprehensive nuclear agreement between Iran and the world powers.

The primary focus of observers of the Middle East in relation to Iraqi territorial integrity is the prospect of a Kurdish secession. This development is portrayed as concerning to various regional states, including Iran, not only because of the impact it will have on an independent Kurdistan's relations with a new Iraq, but also the effects an independent Kurdistan would have on other Kurdish populations in the region.

The intensity and nature of these concerns vary among the regional states. For countries like Turkey, which has a sizeable ethnic Kurdish minority with a long history of armed rebellion, the prospect of an independent Kurdistan understandably rings loud alarm bells.

However, it is important to note the different experiences of Kurdish populations. On a fundamental level, Kurds in West Asia have faced wholly contrasting challenges which have shaped them accordingly.

Mustafa Kemal Atatürk, the founder of the modern Turkish Republic, notably labelled Turkish Kurds as "Mountain Turks", denying their ethnic and cultural identity. In Iran, the founder of the modern Iranian state, Reza Shah Pahlavi – who in many ways sought to emulate Atatürk – as well as his successor, Mohammad Reza Pahlavi, also pursued identity politics with far-reaching consequences. Notably, The Pahlavi dynasty's 'Persianization' of Iran had the profound effect of turning non-Persian Iranians into minorities. The Islamic Republic of Iran has sought to mitigate the consequences of the 'Persianism' of the Pahlavi state, but at the same time pursued many aspects of it, leading to the continued marginalization of non-Persian Iranians, including Kurds.

It is important to note here that while the founding father of Turkey denied the existence of a Turkish Kurdish identity, and the Iraqi state at one point resorted to gassing Iraqi Kurds, Iranian Kurds have not endured such systematic targeting by state authorities. The latter is admittedly a very simplistic reading of the long and complex histories of the various Kurdish communities in West Asia, along with their treatment at the hands of various central governments. However, it offers an idea of the basis for the very different fears and anxieties of regional states in terms of their views of Iraqi Kurdish independence.

Apart from an independent Kurdistan, another often neglected concerning development – at least for Iran – would be the secession of the southern, Shia-dominated sector of Iraq. The concern here is not solely the subsequent likely emergence of a Sunni-dominated central region. The reality is that 90% of Iraqi oil is exported through the South, and not the North via territory controlled by the Kurdistan Regional Government (KRG). A simplistic sectarian reading of regional politics would have one believe that a new Shia-dominated, oil-rich state would be a bonanza for the Islamic Republic of Iran. However, it should be borne in mind that such a region would directly border Iranian territory primarily inhabited by marginalized ethnic Iranian Arabs, who sit on the vast majority of Iran's oil reserves. According to Iranian law, a mere 2% of oil proceeds go

directly back to oil-producing regions.[1] Coupled with the history of destruction in this region during the 1980-88 Iran-Iraq War, and the central government's subsequent failure to fully pursue investment, the emergence of an independent Arab "Shia-stan" awash in oil wealth is likely to cause concern in Tehran.

What kind of stability is sought?

This brings us to the question of Iran's interest in qualified stability in Iraq. The term "qualified" is used here to explain what Iran does seek by outlining what it does not seek.

The Islamic Republic of Iran has no interest in witnessing the emergence of an Iraqi central government strong enough to constitute a direct threat. The 1980-88 Iran-Iraq war was the longest armed conflict since World War Two, costing hundreds of thousands of lives and immense material damage. Despite its close relations with successive Iraqi governments since 2003, Iran is acutely aware of the strongly nationalistic character of even many of the staunchest sectarian Shia factions.

At the same time, Iran has a vital interest in preventing breeding grounds for the emergence of lesser but also concerning threats such as ISIL. In other words, Tehran has neither an interest in seeing an exceedingly powerful nor a defenseless Baghdad. The outcome of the dynamic between these two interests is directly linked to the aforementioned brief discussion of Iranian views towards Iraqi territorial integrity.

Iran's economic interests in Iraq

When it comes to the economic dimension of Iran-Iraq relations, interdependence is not only seen as reducing the potential for conflict, but also as a tool to exert political influence. Today, Iran is Iraq's second-largest non-oil trading partner. The Islamic Republic of Iran is only surpassed by Turkey in terms of Iraq's non-oil trade with the world. Importantly, the majority of this trade is conducted via territory controlled by the landlocked KRG.

Iraq is not only a significant market for Iranian goods and services. It also holds one of the world's largest oil reserves, and has steadily developed its oil industry over the past decade. Industry observers and governments agree that unilateral sanctions on Iran's oil industry have reduced Iranian crude oil output from some 3.8-4 million barrels per day in 2011 – of which 2.5 million barrels per day were exported – to some 2.8-3 million barrels per day of production – and exports of just over 1 million barrels per day of crude oil.

Many observers have focused on stepped up Saudi oil production's role in allowing the United States and the European Union to effectively implement their unilateral sanctions on Iran. Meanwhile, few have noted the reality that Iraq has during the past few years also played a role in allowing oil sanctions on Iran to deprive Tehran of a major part of its oil export proceeds. Iraq is today producing some 4 million barrels per day of crude oil; the highest ever recorded in Iraqi history. Moreover, it is exporting far more oil than

1 Bijan Khajehpour, "Iran's budget tackles falling oil prices", Al-Monitor 10/12/2014
URL: *http://www.al-monitor.com/pulse/originals/2014/12/1394-budget-iran-economy.html*

Iran; much of it to important Iranian customers, such as in East Asia. Thus, there logically should be an Iranian predisposition to view the development of the Iraqi oil sector as at least partly threatening.

However, Iran has chosen to counter this challenge via cooperation rather than sabotage. There are numerous reports of Iran evading sanctions by disguising Iranian oil as Iraqi crude via ship-to-ship transfers in the Persian Gulf. The Iraqi financial system has also reportedly been used to lessen the pressure of Western sanctions on Iran. Whether these measures have been coordinated on a state-to-state level is unclear. More importantly, Iranian energy policy towards Iraq has resulted in the promotion of oil swaps, imminent Iranian export of natural gas, sales of electricity as well as plans for Iraq to act as a conduit for potential future Iranian natural gas exports to Europe, bypassing Turkish territory. In all, Iran has assumed a proactive posture in terms of how it deals with the development of the Iraqi economy.

Key aspects of Iranian influence

The abovementioned rudimentary outline of Iranian interests in Iraq offers a backdrop for the more practical aspects of Iranian influence in Iraq today, which can be divided into five broad parameters:

1. Playing the long game – The Islamic Republic of Iran's ties with Iraqi factions and figures in power today go back decades, not years. For example, the Islamic Supreme Council of Iraq (formerly known as "Supreme Council for the Islamic Revolution in Iraq") was formed in the early 1980s, along with its armed wing, the Badr Organization (formerly known as 'Badr Brigade'). The Badr Organization in particular is today playing a key role in both Iranian and Iraqi government efforts to counter ISIL on the ground.

2. Exploiting the mistakes of others – There are numerous examples of Iran's skill in seizing opportunities in Iraq since 2003, the most recent and noteworthy of which is Tehran's proactive response to ISIL's onslaught in Iraq. Prime Minister Hayder al-ʿAbadi has been clear about the latter, stating that "the day Baghdad was threatened, the US hesitated: the Iranians did not",[2] while underscoring that he is not ready to accede to some actors' wishes for relations with Tehran to be disrupted.

3. Utilizing Iraq's limited alliance options – Iran has systematically made use of the regional landscape to further its influence in Iraq. Tehran has particularly benefited from many Sunni Arab states' refusal to accept the reality of post-Saddam Iraq. Saudi Arabia has stood out in this respect. For many years after the US-led invasion in 2003, Riyadh refused to even send an

2 Hayder al-ʿAbadi interview with al-Mayadeen News Network, 01/12/2014 [Arabic] URL: *https://www.youtube.com/watch?v=R1_0yFm0SOE*

envoy to Baghdad. The outcome of policies such as the latter is clear: Referring to ISIL's onslaught, Prime Minister al-'Abadi has stated in relation to Iran's involvement in Iraq: "Our alliance with Iran was strengthened because of ISIL."[3]

4. Not putting all eggs in the same basket – Iran's relatively smooth sidelining of former Prime Minister al-Maliki in favor of incumbent al-'Abadi bears testament to Iran's range. Along this vein, it should be noted that a mere two weeks after stepping down, now Vice President al-Maliki appeared in Tehran to meet with Supreme Leader Ayatollah Khamene'i, another example of diversification of relationships. Importantly, Iran's cultivation of ties with various Iraqi factions and personalities has never been exclusive to the Iraqi Arab Shia community. Many Iraqi Kurdish leaders have at some point during the existence of the Islamic Republic resided in Iran, under Iranian protection. Furthermore, Iranian authorities have maintained open communication lines with leading members of Iraq's Sunni Arab community, such as Salih al-Mutlaq, head of the Iraqi Front for National Dialogue.

5. Respecting Grand Ayatollah al-Sistani's bottom lines – Much of available analysis of relations between Iran and post-Saddam Iraq is decidedly one-sided in the manner this relationship is perceived. Influence is portrayed as one-way, originating from Iran. While Iranian influence in Iraq is paramount, Iraqi influence on Iran as well as Iraqi cognizance of domestic Iranian politics should not be discounted. Nowhere is the two-way nature of influence in the contemporary Iran-Iraq relationship more evident than in Tehran and Baghdad's approaches to the Office of Grand Ayatollah al-Sistani. The balance sheet of Grand Ayatollah al-Sistani's influence in clerical power circles in Iran vis-à-vis Ayatollah Khamene'i's influence in clerical power circles in Iraq is more complex than perceived by many observers. The most recent expression of the Iranian recognition of the limits of its influence in Iraq came in Tehran's reported acquiescence in the summer of 2014 to Grand Ayatollah al-Sistani's disapproval of then-Prime Minister al-Maliki's efforts to secure a third term.

It should be noted that some of the things which have allowed Iran to expand its influence also inherently limit its influence. For example, playing the long game means it is not in Iran's interests to see its friends and partners being overly reliant on Iran, or seen as Iranian cronies. Here, the evolution of the Islamic Supreme Council of Iraq (ISCI) is a case in point. ISCI, founded in Iran by Iraqi exiles in the early 1980s, has since 2003 successfully confronted the challenge of becoming an independent, leading force in Iraqi politics, rather than an Iranian puppet. This success has been propelled by savvy coalition building, positioning to benefit rather than be harmed by the Iran-U.S. rivalry, rebranding in the public domain (i.e. abandonment of the name "Supreme Council for the Islamic

3 Hayder al-'Abadi interview with al-Mayadeen News Network, 01/12/2014
[Arabic] URL: *https://www.youtube.com/watch?v=R1_0yFm0SOE*

Revolution in Iraq") as well as the generational shift within the group's leadership.

Iranian decision making on Iraq

In order to gain a basic grasp of the circumstances under which Iran's role in Iraq ends up being constructive versus disruptive, it is necessary to achieve an understanding of the nature of Iranian decision making. Like other states, Iran's foreign policy is dictated by two main factors: grand strategic preferences and domestic politics. The broader interests of Iran in Iraq have been explained above. This leaves us with domestic politics, which indeed plays a key part in determining state behavior.

The Islamic Republic's unique blend of elected and unelected authority has given rise to the concept of 'decision shaping' vis-à-vis decision making. On all major foreign policy issues, the Supreme Leader sets the framework for policy. However, this framework is broad enough to allow various actors to exert influence on its shape. The primary institution for decision making on issues pertaining to Iranian national security, including Iraq, is the Supreme National Security Council (SNSC). Decisions made by the SNSC are based on the framework offered by the Supreme Leader, and prior to finalization, they are sent to the Supreme Leader for final review.

The SNSC, which gathers the heads of the three branches of government along with leading civilian and military officials, is headed by the President, who appoints its Secretary. The executive branch has multiple representatives in the SNSC, the most important of which are the Ministers of Foreign Affairs, Defense, Intelligence and Interior. These figures, along with the Secretary of the SNSC, are currently the most important 'decision shapers' on policy toward Iraq which are allied with incumbent President Hassan Rouhani.

One example of the different priorities of various Iranian administrations – and interestingly Iraqi cognizance of domestic Iranian politics – is the reception of Grand Ayatollah al-Sistani towards Iranian officials. In the spring of 2008, then Iranian President Mahmud Ahmadinejad made a landmark official trip to Iraq under heavy media coverage. Yet, Ahmadinejad was reportedly not able to secure an audience with Grand Ayatollah al-Sistani, even though his political rivals such as Tehran mayor Mohammad Baqer Qalibaf had met with Grand Ayatollah al-Sistani just weeks earlier. In contrast, upon being appointed Foreign Minister by President Rouhani in August 2013, Mohammad Javad Zarif made Iraq his first foreign destination, and indeed met with Grand Ayatollah al-Sistani. There are obviously many layers and complicated aspects of the aforementioned, which cannot be outlined due to space constraints, but the point here is to highlight the importance of domestic politics, and the manner in which both Iranians and Iraqis are aware of how it affects relations and behavior – and adapt accordingly.

Recommendations

When reviewing Iranian influence in Iraq, one should look beyond discourse of sectarian amity or ethnic enmity between the two countries. In the grander scheme of things, Iran and Iraq's control of one third of the world's remaining conventional oil reserves, combined with their demographic and geostrategic

potentials, offer them the opportunity to form part of the backbone of an alternative regional order. The interconnected nature of the fates of these two countries is the reason for why senior Iranian officials such as Supreme Leader Ayatollah Khamene'i have stated that "Iran recognizes the security of Iraq … as its own security".[4]

It is also important to bear in mind that along with expanded influence comes expanded responsibility. Iranian officials are highly aware of this. Managing a problem is very different from owning it. Iran has no wish to end up in the situation the United States' military faced in Iraq: bogged down in quagmire that drains both precious financial and political capital. Iranian behavior in Iraq 2003-11 was largely shaped by its response and opposition to the US military presence. With American ground forces largely gone, dynamics have logically shifted.

Along this vein, Iran's constructive role in the orderly appointment of al-'Abadi as new Iraqi Prime Minister is a prime example of Iran's desire to manage rather than 'own' the issue of Iraq. Moreover, the increasing influence on Iraq policy of key allies of President Rouhani, including SNSC Secretary Ali Shamkhani, conveys the ascendance of moderates who seek a path designed to steer Iraq away from the fate of Syria. These efforts, as evidenced in Tehran's acquiescence to al-'Abadi's nomination as Prime Minister, is designed to promote consensus and dampen sectarianism.

Iran and the West share many important objectives in the region, which suffers from instability, violence and conflict. To seize on this opportunity for engagement, Western policymakers must pay more attention to the consequences of the 2003 US-led invasion of Iraq, which have yet to fully unfold. Crucially, Western policymakers must pay heed to the changing regional dynamics in the aftermath of the US military withdrawal from Iraq.

To encourage constructive Iranian engagement in Iraq, especially amid the fight against ISIL, Western policymakers should also assume more realistic approaches to regional politics. To move forward, some realities, regardless of how bitter they may seem, must be recognized. Efforts to eradicate ISIL in Iraq will be difficult, if not impossible, without targeting the group in Syria. In this equation, continued Western refusal to fully accept the reality of Syrian President Bashar al-Assad's continued relevance, despite four years of armed conflict, is preventing necessary engagement and dialogue with both Syria and Iran.

Lastly, to build the trust and goodwill necessary to engagement in constructive dialogue on regional affairs, Western policymakers should make use of the current opportunity to seal a comprehensive agreement with Iran over its nuclear program. Absent a nuclear agreement with a roadmap for de-escalation of years of ratcheting up of tension and mistrust, it is difficult to foresee the political feasibility of deep and serious engagement between Iran and the West on regional matters in the near future.

4 AFP/Reuters: "Khamenei says Iraq can beat Daesh without foreigners" 21/10/2014
URL: *http://gulfnews.com/news/region/iran/khamenei-says-iraq-can-beat-daesh-without-foreigners-1.1402301*

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CARPO was founded in 2014 by Germany-based academics trained in the fields of Near and Middle Eastern Studies, Political Science and Social Anthropology. Its work is situated at the nexus of research, consultancy and exchange with a focus on implementing projects in close cooperation and partnership with stakeholders in the Orient. The researchers in CARPO's network believe that a prosperous and peaceful future for the region can best be achieved through inclusive policy making and economic investment that engages the creative and resourceful potential of all relevant actors. Therefore, CARPO opens enduring channels for interactive knowledge transfer between academics, citizens, entrepreneurs, and policy-makers.

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