Tehran as a Partner?
Iran’s Policy on Iraq:
Exporting Revolution or on the Defensive?

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Executive Summary

Over the last few months, Iran has come to be viewed as a seemingly omnipotent counterpart to the US project *Iraqi Freedom*. Despite this, it would so far be inaccurate to talk of an unbridled confrontation between the two states in the sense of a proxy war. On the contrary: both, Washington and Tehran, continue to cooperate extremely closely with the Maliki administration.

At the same time, the mood in Washington, as well as in decisive circles in Tehran, currently (still) place increased emphasis on dialogue. Through the series of regional conferences and trilateral contact groups at ambassadorial level, direct channels of communication have been re-established for the first time in 27 years.

At present, Iran has as little interest in the long-term success of US policy in Iraq as it does in flagrant failure of those efforts. Iran’s policy on Iraq is more of a reactive response than one of unfettered confrontation and is dominated by defensive security considerations. Teheran benefits from a state of “manageable chaos” in Iraq but is certainly interested in preserving an Iraqi central state. In light of demography, Teheran is also much more actively involved in supporting the political process in Iraq than is the case for neighbouring Sunni states. While Tehran now enjoys very close economic links with Iraq, one cannot speak of efforts to *Tehranicise* Iraq e.g. by exporting revolution.

Against this background, it would be advisable to continue the dialogue between Tehran and Washington that has been initiated. In the talks, US decision-makers will not be able to avoid expressing political acceptance of Tehran’s current strategic strength. This seems to make a great deal of sense, in no small part because it will be impossible to stabilise Iraq while efforts to destabilise Iran are afoot in other quarters.

In return for a validation of the Iranian security through putting an end in Washington to *regime change rhetoric*, Tehran should be required to ensure greater integration of the Sunnis in post-withdrawal Iraq and called upon to end its support for anti-Suni militias.

In addition, it would be advisable for the anticipated withdrawal of the bulk of US forces in the medium term – despite of General Petraeus’ current remarks – to be coordinated regionally with Iran and other neighbouring states. This needs to be done in order to ensure that political transparency defuses the risk of escalation arising from interventions by neighbouring states. This kind of *Iraq First approach* of Iranian and American cooperation could at least partially pave the way for Washington and Tehran to overcome their differences.
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Over the last few months Iran has come to be viewed by public opinion as both the greatest beneficiary of and a seemingly omnipotent counterpart to the US Iraqi Freedom project. In the process Tehran also seems to have replaced al-Qaida as Public Enemy No. 1 of the United States in neo-Conservative think-tanks.¹

Despite the appeal of this interpretative schema against the backdrop of the currently much mooted Shia revival in the region, it would so far be inaccurate to talk of an unbridled confrontation between the two states in the sense of a proxy war over Baghdad – despite all the current rhetoric. On the contrary: both Washington and Tehran continue to cooperate extremely closely with the Maliki administration, which clearly sets them apart from Iraq’s Sunni neighbours. At the same time the mood in Washington, as well as in decisive circles in Tehran, currently places increased emphasis on dialogue.²

The direct channels of communication between Tehran and Washington, re-established for the first time in 27 years and utilised intensively since March of this year, are the most visible indicator of this development. This has in principle augmented scope for frank exchanges between all the forces involved in the Iraq conflict. A particularly important role is played in this context by the regional conferences that took place in Baghdad (most recently on 9th of September 2007) and Sharm as-Sheikh. These conferences did not only result in the International Compact for Iraq but also in the establishment of trilateral contact groups at the ambassadorial level, the most recent round of these meetings was held in Baghdad on 6th August.³ In the light of this development the question that must now be posed is which political considerations will guide Tehran’s policy on Iraq in the long term. Addressing this question is also particularly germane to evaluating options for a more consensual political response to the Iraq conflict.

Although one should be wary of excessively optimistic appraisals, potential for cooperation between Washington and Iranian players in Iraq can now definitely be identified. It will however not be possible to utilise this potential whilst the US administration maintains an uncompromising course of “confrontational containment” on other Iran-related issues, which delegitimises the moderate camp in Tehran.⁴ If US decision-makers were to move towards an approach based on de-escalation on the nuclear question over the next few weeks, Iranian-American cooperation within an Iraq First approach could at least pave the way for Washington and Tehran to overcome their fundamental differences.

² However, it remains unclear, for how long supporters of a dialogue especially within the US State Department will be able to stand their ground. Vgl. Helene Cooper: Iran Strategy Divides Bush Administration. In: International Herald Tribune, 16. September 2007.
³ The four-hour meeting was attended by US Ambassador Ryan Cocker, the Iranian representative in Baghdad Hassan Kazemi Qomi and the Iraqi National Security Advisor Muwaffaq Al Rubaie.
Between Exporting Revolution and Being on the Defensive: What are Iran’s Aims in Iraq?

It is difficult to consider Tehran’s interests in Iraq in isolation from Iran’s fundamental strategic goals, which relate to exercising increased influence in the region, as well as to the controversial nuclear programme. However, analysing Iran’s policy in pursuing its interests in Iraq reveals that Iran has so far scarcely adopted the role of an omnipotent player so often conjured up by Western – and indeed Arab – media, despite the influence it enjoys. Instead, closer analysis tends to indicate that Tehran’s Iraq policy is multi-layered and to a certain extent contradictory; Iran has so far shied away from fully activating all available options to exert influence and its policy is definitely also determined by reactive and defensive security considerations.

In this context a fundamental distinction must be drawn between strategic interests and subordinated tactical objectives. Against the backdrop of the bloody conflicts in the first Gulf War, Iran’s dominant strategic interest can be defined as the goal of achieving lasting certainty that Iraq will not be in a position to threaten Iran in the future. The following scenarios are understood in Tehran to jeopardise this elementary Iranian interest:

- The outbreak of unfettered civil war between ethnic groups in Iraq, which could spill over to the Arab minority in Iran.
- Complete collapse of Iraq through failure of the state and the emergence of an independent Kurdistan in the north of Iraq, which could threaten the centralistic structure of Iran through a push for autonomy on the part of Iranian Kurds and other ethnic groups.
- The development of a Sunni-led Iraqi unity government under the protectorate of the USA (“strong man” scenario).
- The development of a Shiite clerical government in rivalry with the Iranian Shia.
- A military threat to Iran from US forces, which would be freed up to intervene in the neighbouring country if the USA were successful in Iraq.

This strategic defensive goal and the scenarios to be averted point to a complex patchwork of partially diverging Iranian interests. At present Iran de facto has as little interest in the long-term success of US efforts to pacify the country as it does in flagrant failure of those efforts, which would lead to Iraq becoming completely divided. The ideal path between these extremes leaves Iran with the option of a nebulous “more of the same”. Ironically, this is a position that is to a large extent reflected in the views of US decision-makers and was, last but not least, reflected in General Petraeus’ current report to US Congress.

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6 For example the Arabs living in Iran. Interview conducted by the author with Haider Sa’eed, Center for Strategic Studies Beirut, on 14th May 2007 in Amman.
Over and above ideological statements, current Iranian policy in Iraq is guided by considerations of realpolitik. This is comprised of diplomacy, infrastructure support for Shiite, Kurdish and (possibly) Sunni groups, economic penetration of Iraq and support for specific elements of the Iraqi Shia, the latter policy being motivated by religious and political considerations. The three main tactical pillars of the Iranian strategy in Iraq are currently:

- Support for Shiite parties and for the political process:
  The aim is to create an Iraqi central state, dominated by a Shiite majority. Against this backdrop Iran seeks to deploy its influence to attain a Shiite-led government with at most, a somewhat federal slant; in the light of Iraqi demography, this can be achieved by promoting the democratic process. Although it cannot by any manner of means be claimed that there is a monolithic and thoroughgoing pro-Iranian Iraqi Shia, Tehran views a Shiite majority government in Iraq as a security guarantee.

- Creating constant but controllable chaos in Iraq:
  The Iranian perception of a fundamental threat to the country has persisted for years. There are widespread concerns in Tehran about regime change stage-managed by the USA under the aegis of a policy – admittedly to a large extent abandoned – of democratisation of the region through military intervention. That is why Iran seeks to maintain the high military and political costs of US engagement in Iraq via high numbers of casualties. The idea is that “manageable chaos” in Iraq, which pins down US forces, will make US intervention in Iran politically and militarily untenable – and indeed impossible to plan. At the same time Tehran demands rapid withdrawal of the US army.

- Forging a multi-polar coalition:
  In the light of Tehran’s multi-layered approach, as outlined here, forging a multi-polar coalition in Iraq makes sense for Tehran. At present, Iran therefore maintains a whole host of political contacts with Sunni, Kurdish and Shiite groupings, with a view to maintain a broad range of options for action – as well as scope to switch political allegiances, if necessary. Cooperation and/or contacts with competing Shiite, Kurdish and Sunni players guarantee Tehran a minimum degree of influence if power constellations shift and offer scope to utilise de-escalation and mediation strategies in conflict situations. This approach also reflects the broad range of political players in Iran, who in turn also have various types of contacts in Iraq.

In the light of these interests it becomes apparent that Iranian conceptions may, at least in theoretical terms, coincide in part with US ideas on promoting the democratic process in Iraq as a general principle and preserving a central Iraqi state. In addition, Iranian and American interests coincide in their rejection of extremist Sunni thought. In contrast however, there is obvious potential for conflict over the Iranian “manageable chaos” approach. The sting could be taken out of the tail of this acute problem immediately if withdrawal of US troops from Iran were on the political agenda.

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8 ICG, 2005, op. cit. p. 22.
9 C.f. ibid.
“Who Picks up the Phone in Tehran?”: Iranian Players

The large number of players in Tehran and the sometimes confusing distribution of political powers and responsibilities make it more difficult to come up with an unambiguous description of Iran’s policy on Iraq. At present, it is to a large extent not clear where important foreign policy decisions are taken in Tehran, nor what motivates such decisions. In addition, a concealed power struggle between Ahmadinejad’s radical clerical stance and the conservative positions of the religious establishment makes analysis more difficult, as this power struggle repeatedly impacts on the political course steered. The following players are currently particularly important with reference to Iraq:

- **Supreme National Security Council (SNSC):** the SNSC comprises representatives from the Intelligence Services, the Interior Ministry and the Ministry of Foreign Affairs as well as high-ranking military staff and commanders from the Revolutionary Guard. Ali Larijani, currently chairing this body, is responsible for international negotiations in connection with the Iranian nuclear programme. He is on good terms with Ayatollah Khamenei and was previously a *Pasdaran*.

- **Expediency Council:** this constitutional body has a mandate to mediate between the Guardian Council and Parliament. At the same time, it serves as an advisory body to the Supreme Leader, which ensures that the Council is an important player in domestic politics. Since October 2005, based on instructions from Ayatollah Khamenei, the Council has enjoyed a right of scrutiny over all spheres of government policy and also examines foreign policy issues. For example, in this context a meeting between President Talabani and Rafsanjani, which aroused considerable attention, was held in November 2006. Although Rafsanjani, in principle, belongs to the reform camp in Iranian politics, the Council takes a rather hard-line stance on questions pertaining to Iraq and demands rapid withdrawal of the “occupying troops”. In the past it has often sided with the conservative Guardian Council on domestic controversies in Iran. This is no surprise as most of its 34 member are appointed from conservative circles.

- **Ministry of Intelligence and Security (MOIS):** little is known about the structure and work of the ministry. It has close links to the SIIC and the Badr Brigade in Iraq. While statutory provisions stipulate that a cleric must head the ministry (currently Gholam Hossein Mohseni-Ejehei), this does not guarantee direct political affiliation to Ayatollah Khamenei. Rather, the Ministry seems to remain well within the sphere of influence of the Iranian President.

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13 Interview by the author with Talal Atrissi, Institute of Sociology, Lebanese University, Beirut, on 4th May 2007. Ayatollah Khamenei recently appointed former president Rafsanjani as Chair of the Council of Experts, attracting attention with this move directed against Ahmadinejad.
16 IRNA, 29th November 2007.
17 Thanks to Marcus Michaelsen (University of Erfurt) whose remarks proved very useful for the writing of this chapter.
• Strategic Council for Foreign Relations (SCFR): Ayatollah Khamenei founded the SCFR in summer 2006 to address fundamental foreign policy decisions. As far as developing foreign policy principles is concerned, it has to date de facto functioned as an ancillary Foreign Ministry and circumvents Ahmadinejad’s government. The establishment of this body should thus be understood as a pointer to the strained relations between Ahmadinejad and Khamenei. It also indicates that Ayatollah Khamenei is not overly confident in the Iranian President’s foreign policy.

• Islamic Revolutionary Guard Corps (IRGC, Persian: Pasdaran): American sources assume that over the past few months the IRCG and the affiliated Quds Force have infiltrated various bodies including the Iraqi Interior Ministry. Members of the IRCG are apparently also found in large numbers amongst the ranks of the Iraqi police – and in the Badr Brigade. Traditionally, the IRGC is viewed as falling within the sphere of influence of the Iranian President. However at the start of September this year Ayatollah Khamenei appointed Mohammed Ali Jafari to replace the IRCG’s long-standing commander – this should possibly be understood as a reconciliatory gesture towards the USA, which openly accuses the IRCG of involvement in clashes with US forces. Within Iran this decision was rather seen as being rooted in Jafari’s more impressive military qualifications.

• Supreme Leader Khamenei: he generally refrains from intervening in day-to-day politics. However political decisions are only implemented with his express consent.

Each of these institutions has considerable room for manoeuvre, making the situation complex. However as the principles of Iranian foreign policy are determined and authorised by the SNSC, this body is certainly a focal point in shaping decisions relating to Iraq. Just as the Expediency Council and SCFR, the SNSC is being dominated by pragmatic-conservative forces. It is illuminating to note here that the Chair of the SNSC is also entrusted with conducting nuclear negotiations between Tehran and the international community.

The Various Tiers of Intervention: Political, Military and Economic

Iranian engagement in neighbouring Iraq occurs, in essence, on the political, economic and military level. Although these activities trigger concerns, particularly in US circles, blanket condemnation of all aspects of this policy hardly appear justified. Whilst criticism of Tehran’s provision of military equipment to violent militias is certainly justified, other aspects of Iran’s engagement must be viewed as part of a neighbourhood policy that is definitely concomitant with conventional and legitimate modes of handling relations between states.

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21 Simon & Takeyh, op. cit.
22 Zweiry, op. cit.
1. Political Contacts

Regular political contacts between Iranian and Iraqi decision-makers are organised by involving both civil servants and the highest diplomatic levels. Visible indicators of this development include regular visits to Tehran by top Iraqi politicians, together with a series of agreements on economic and military issues concluded over the past few years between Tehran and Baghdad.\(^\text{23}\)

The close personal ties of top Iraqi politicians to Tehran can in part be traced back to Iraqi decision-makers’ close historical links with Iran. It is common knowledge that the incumbent Iraqi Prime Minister al-Maliki spent several years of his political exile in Iran (and Syria). The situation is similar for most officials now in positions of political responsibility in Baghdad. This group has penetrated Iraqi ministries and other public institutions in part due to the return to Iraq of tens of thousands of Iraqi Shiites, who had fled to Iran from 1991 onwards. After the overthrow of Saddam’s regime, these Iraqis returned to their homeland and assumed numerous key public positions in the administration. Links based on personal contacts thus developed between Iranian and Iraqi institutions, which Tehran can now utilise in the political, economic and military sphere. However, in the light of the anti-Iranian Arab nationalism that is also widespread amongst Iraqi Shiites, one cannot talk of a monolithic Shiite block – a kind of fifth column for Tehran.\(^\text{24}\)

Today considerable political penetration of Iraq by Tehran can be seen above all in the parties now in government, SIIC (formerly SCIRI) and al-Dawa. The success of both parties lies in particular in the fact that these Shiite Islamic parties (above all SIIC), which were well-organised during their exile in Tehran, benefited enormously from the prevailing *tabula rasa* situation after the collapse of Hussein’s dictatorship. They are now the major winners in post-war Iraq, as their engagement was rewarded in the elections held in 2005. The reason for their success in the elections stems from the fact that most of Iraq’s (secular) Shiites, traditionally strongly represented in the Communist Party, voted – due to a lack of alternatives – for these Shiite parties. In post-war Iraq, both parties work explicitly with ethnic and sectarian programmes.

SIIC and al-Dawa currently form the *United Iraqi Alliance* and act as Tehran’s closest political allies. Al-Dawa and SIIC predecessor SCIRI attained a majority both in the elections to the transitional parliament in January 2005 and in the parliamentary elections in December 2005.\(^\text{25}\)

The establishment of a new coalition in August 2007, which brings together the Kurdish PUK and KDP as well as SIIC and al-Dawa, has not fundamentally altered this state of affairs. SIIC, led by Abdel Aziz al-Hakim, continues to call for a federal structure in Iraq – also with a view to establishing a Shiite region in the south of the country.

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\(^\text{25}\) In May 2007 the latter changed their party name to *Supreme Islamic Iraqi Council* (SIIC). This was justified with reference to the changed political situation in Iraq – the term “revolution” was dropped, as it referred to overthrowing the Baath regime. At present one can merely speculate as to whether this amounts to an “Iraqisation” of the party, in other words, an attempt to move away, at least vis-à-vis the outside world, from their image as the long arm of Tehran.
Both now and in the past, abundant aid from Tehran has proved to be a tool to steer Iranian influence on SIIC (SCIRI). These funds put SIIC in a position to secure the loyalty of tribal leaders with local and regional influence, as well as procuring support from eminent figures and parts of the Shia spiritual establishment in Najaf and Kerbala. Proof of Iran’s close links with SIIC can be found in the fact that several former members of the (SCIRI) Executive Council, such as Ayatollah Ali al-Tashkiri and Ayatollah Mahmud al-Hashimi al-Shahrudi, have now become high-ranking functionaries in the regime in Iran. Similarly, in August 1999 Supreme Leader Khamenei appointed the former SCIRI spokesman, al-Hashimi Shahrudi, as head of the Iranian judiciary, thus allocating the fourth-ranking position in Iran’s power hierarchy to him. Al-Tashkiri also exerts a similar degree of influence as a member of the Supreme Leader’s four-member cabinet.

Over the last few years Tehran has gained a further quasi-ally in Iraq over and above SIIC: the revolutionary Islamist Sadr Movement led by Muqtada al-Sadr, who in the past primarily attracted attention due to his inflammatory anti-Iran speeches. Since 2003 al-Sadr has been an advocate of Iran’s theocratic structure and receives considerable financial assistance from Tehran. The Iranian Revolutionary Guard supported Sadr’s militia, the Mahdi army, during their 2004 confrontation with the US army in Najaf. Since then the political and military elite of the Sadr Movement have apparently been trained by Iran.

Muqtada al-Sadr is a controversial figure – not just abroad but also in Iraq itself. Ridiculed by some due to his comparatively low clerical rank, he is feared by others for his radicalism and brutality. He first and foremost steers an Iraqi nationalist course – which is also reflected on the ideological level. Although Sadr does advocate the establishment of an Islamic centralised state based on the Iranian role model, he also calls for an Arab-Iraqi Shia leadership simultaneously. By adopting this stance he maintains a degree of independence from Tehran, at least in formal terms, and benefits from Iran-critical Shiite opinion in Iraq.

In this fashion, Sadr could thus develop into a key figure politically. He enjoys de facto veto power over certain political agreements, in no small part because his movement managed to win 32 seats in Parliament at the last elections. In this respect, the Sadr Movement differs crucially from other political currents in Iraq. It presents itself as an authentic social movement and channels the political frustrations of a fairly large percentage of the population. Al-Sadr’s relationship to al-Maliki’s Iraqi government, and thus to SIIC and al-Dawa, has to a large extent been disrupted since the Sadr ministers left the Maliki cabinet in April 2007 and since the outbreak of violence in August (see below). At present, al-Sadr’s relationship to Tehran is also considered to be strained.

It is illuminating to note here the close but not exclusively financial cooperation between Iranian decision-makers and Ayatollah al-Sistani. Al-Sistani remains the highest Shiite authority within Iraq and enjoys considerable influence on Iraq’s multi-faceted Shia. Even though al-Sistani shares al-Sadr’s vision of a unified Shiite-dominated Iraq, there are significant ideological rifts between both leaders. Last but not least, both differ in the extent to which they wish to see an important

26 Vali Nasr, op. cit.
27 Al-Sadr is not entitled to carry the title Ayatollah which underlines the differences between him and al-Sistani. Al-Sadr’s religious mentor is Great Ayatollah Kazim al-Haeri from Qom. He endows the young cleric with a certain degree of religious heft.
Najaf-based clergy determining Iraqi politics in the future. Al-Sadr has repeatedly shown less enthusiasm to bow to Najaf as Al-Sistani would like to see.28

Parallel to these political contacts with Shiite players, Tehran maintains close contacts with the quasi-autonomous Kurdish region in northern Iraq. In this context, Iran’s political concern is to guarantee the Kurds appropriate representation in the Iraqi central government and thus weaken the drive for complete independence.29 The rationale for this policy is the (realistic) notion that a (quasi-)independent Kurdistan would bolster efforts by Kurdish groups in Iran to attain independence. This idea cannot simply be rejected out of hand, as even the limited autonomy achieved so far by the Kurds in Iraq has made the Kurds in Iran, who are also striving for autonomy, more assertive.30

Three tactical policy strands characterise cooperation with Kurdish players: contacts with the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK), economic penetration of the Kurdish areas and the activities of the Iranian Security and Intelligence Services in Kurdistan. These approaches aim to ensure a minimum of control over Iraqi Kurdistan. In this context the security policy activities comprise primarily undertakings by the intelligence services: a section of the Revolutionary Guard, the Qarargah-e Ramezan, runs a liaison office in Suleimaniya, described by Kurdish officials as an Iranian intelligence services base.31

2. Military Cooperation

As it is such a politically sensitive issue, there is virtually no reliable data on Tehran’s military engagement in Iraq. What is certain is that Iran provides infrastructure and financial support to political parties with close affiliations to Tehran. It seems certain that the militias associated with these parties also benefit directly from contacts with Tehran – such as for example the Badr Brigade (SIIC), which profited from training measures by the Iranian Revolutionary Guard and al-Sadr’s Mehdi army.32

US decision-makers’ regular accusations that Iran is supplying Shiite militias with Explosively Formed Projectiles (EFPs) and other military equipment are common knowledge. The most recent of these public accusations took place on 9th of September, when General David Petraeus in his report to US Congress accused Iranians of “training, arming, funding, and – in some cases – directing militia extremists”.33 Similar remarks can be found in General James L. Jones recent report on the Security Forces in Iraq.34

30 One example is the “Party for a Free Life in Kurdistan” (PJAK), which carries out armed attacks against Iran's Revolutionary Guard in the Kurdish north-east of the country. C.f. Asghar Schirazi: Ethnische Konflikte im Iran. In: inamo, 50, Summer 2007, p. 26. Kurdish organisations also belong to the 16 groups that have founded the Congress of Nationalities for a Federal Iran (CNFI). See: http://iranfederal.org/en/?p=5#more-5.
Although these reproaches do seem thoroughly plausible, it is clear that Iran has not yet fully exploited its potential for escalation in this respect.\footnote{Salim Nesar: Chaos in Iraq - when Bush puts his threats to Iraq into practice (article in Arabic). In: \textit{Al-Hayat}, 14. April 2007. This was also articulated openly by Ali Jafari, who publicly warned the US of their “weak spots” in Iraq. Farhad Poulani: Iran warns over ‘US weak Points’ in Iraq, Afghanistan. AFP, 11. September.} It is also not entirely clear in this context to what extent such measures stem from resolute, formalised Iranian government instructions.\footnote{Stephen Zunes: Iran in Iraq? In: \textit{Foreign Policy in Focus}, February 2007.} The assumption that Iran is also pro-actively supporting Sunni forces with military hard- and software is also purely speculative.\footnote{Simon Tisdall: Iran's Secret Plan for Summer Offensive to Force US out of Iraq. In: \textit{Guardian}, 22. Mai 2007.} Although it is hard to prove that this type of activity is indeed being conducted, one cannot exclude the possibility – particularly against the backdrop of the Iranian strategy identified here – that Iran is behaving in this fashion.

3. The Economic Level
The US invasion and the ensuing collapse of state structures destroyed Iraq’s economic infrastructure and increased dependency on its export-oriented neighbours – first and foremost Iran and Turkey. The current very close economic ties between Iran and Iraq comprise trade in consumer goods, comprehensive energy supplies and intensive pilgrimage tourism to Najaf and Kerbala, which is relevant economically as well as politically.

Generally speaking, commercial relations between Iraq and Iran have become increasingly intensive since the fall of Saddam’s regime. Although official figures are not available, estimates indicate a bilateral trade volume of c. 11 billion US dollars at present. Experts put the growth rate of this trade volume at around 30 per cent per annum.\footnote{International Herald Tribune, 13th March 2007; Yazdan Hajhamza: Iran Boosts Exports to Iraq. In: \textit{Al-Zaman}, 23. June 2007.} As the Iraqi economy was subject to international sanctions from 1991 until the fall of Saddam’s regime, virtually destroying the country’s manufacturing capacity and competitiveness, the enormous export surplus in the Iranian balance of trade with Baghdad comes as no surprise. Tehran recently granted Iraq a loan to the tune of 1 billion US dollars with a view to financing imports of Iranian goods.

Iranian economic penetration of Iraq is particularly pronounced in the six eastern border provinces.\footnote{Hajhamza, op. cit.} In Basra this economic penetration is manifested in the creation of a free trade area set up in autumn 2006 at the \textit{Shalamja} border crossing.\footnote{Iran is connecting the new zone with Basra through road construction projects.} These economic activities, however, are not limited to the south; right across the country Iranian firms operating in Iraq enjoy numerous advantages from the Iranian Chamber of Industry and Foreign Trade and from the Iranian government – for example, exemption from export duties. This all makes Iranian products highly competitive in Iraq.

The energy sector constitutes a further sphere of economic cooperation. Both on the northern Iraq border and in the Shi'ite south, Iranian traders supply gas and oil products, which above all in Kurdistan are delivered to northern Iraq via semi-legal or illegal free trade areas.\footnote{Omar Sinan: Iraq-Iran 'Trade' Booms. In: \textit{Washington Post}, 11th June 2007.} All six of the Iraqi regions bordering Iran currently rely, to a greater or lesser extent, on energy supplies from Iran, whilst electricity supplies in certain cities in Iraq – for example Basra – come entirely from Iran. At the same time the Iraqi government relies on natural gas from Turkmenistan supplied by...
Iranian firms to mitigate energy shortages in Iraq. In August this year the Iranian ambassador to Iraq, Hassan Kazemi Qomi, caused a considerable stir when he announced the construction of two pipelines linking Basra with Abadan, allowing 350,000 bpd of crude oil to be pumped to Iran for refining.43

Alongside these activities, Shiite pilgrimage tourism to Najaf and Kerbala is a further pillar of economic links. In June 2007 Prime Minister al-Maliki further relaxed provisions on entering Iraq from Iran. Estimates currently assume that around 1,500 Iranian nationals travel to Iraq to conduct religious rites. The economic ramifications of this development are significant, for pilgrims generally inject about 1,000 US dollars into the Iraqi economy per trip.44 With a view to supporting and extending pilgrimage tourism, Iranian sources are funding sizeable infrastructure projects in Kerbala and Najaf. The governor of Najaf recently announced Iranian direct investments in Najaf to the tune of 20 million US dollars per annum – construction of an international airport is also planned in this context.45

The Shiite Crescent in Iraq? Escalating Tensions between Shiite Groups

Although Iranian contacts and support focus on Shiite players in Iraq, Shiites in Iraq cannot be seen as “Tehran’s fifth column” if one considers the broad spectrum of secular and religious Shiite groups.

Shiite Islamist parties have differing political views on many points, as is demonstrated by the nationalist course adopted by Muqtada al-Sadr, who is agitating vehemently against a federal structure for the country. The most recent military clashes between al-Sadr and SIIC forces at the end of August/early September in Kerbala and elsewhere convey a clear message in this respect and underline the fact that political differences reflect an internal Shiite struggle for political supremacy. These conflicts between Shiite groups have acquired a new dimension, in particular since the striking withdrawal of the five al-Sadr ministers from the “national unity cabinet” of al-Maliki’s government in April this year. The fact that these five ministers continue for the time being to conduct their official business should therefore be viewed more as evidence of an increasingly embittered power struggle rather than as an indication of moderation. The recent announcement of al-Sadr’s movement to withdraw from the United Iraqi Alliance – the largest political block in the Iraqi Parliament – is another indication of this alarming development. The conflicts between Shiite groups have now flared up particularly violently in the south of Iraq too, one of the most recent incidents being the assassination of the Governor of Muthanna Province on 21st August within the context of clashes between Shiites.

In this context, struggles between various Shiite groups add a further dimension for Tehran: the outcome of these clashes is likely to determine whether Iran’s theocracy is able to defend its dominant position within the global Shia and whether a renewed strengthening of religious centres in Iraq (Najaf), which would be detrimental to Tehran, can be averted. The consequences for Tehran could be rather threatening. First and foremost, if large numbers of clerics discontent

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43 IRNA: Iran, Iraq Stands at $ 2bn. 16. August 2007. However, given Iran’s limited refining capacities even for self-supply, it remains to be seen whether this announcement will ever be implemented.
44 Ibid.
with the system under Supreme Leader Khameini were to leave Iran and head to Iraq. This type of exodus to Iraq would dramatically undermine the significance of the Iranian Qom and turn Iraq into a bastion of Iranian clerical dissidents. That would give rise, albeit in a somewhat different context, to a situation akin to that in the 60s and 70s when Ayatollah Khomeini made Najaf the religious and political powerhouse of the Iranian anti-Shah movement. In this context another factor would be just as dangerous for Tehran as the establishment of a spiritual stronghold of dissent in Iraq, namely direct export of revolution to Iraq, which would call into question the particular status Iran enjoys within the worldwide Shia. Conflicts between various Shiite groups, along with the aforementioned competition between Najaf and Qom, make it impossible to simply equate Iraq’s Shiite forces with the Iranian Shia.

What is the Extent of Tehran’s Influence? The Example of Basra
It is debatable at present how far Tehran’s influence in Iraq actually extends. However, it would be erroneous to assume that Iran steers Iraqi policy to any significant extent. Even just a quick glance at the situation in southern Iraq, particularly in Basra, gives one grounds to doubt whether Iran exerts absolute power here. Although conflicts within the Shiite community certainly do flare up, for example in response to the federalism issue, conflicts in Basra seem much more to be Mafioso-type clashes about the share of power enjoyed by various groups seeking to control this resource-rich region.

After the reduction in British troop levels in Basra in early September 2007, manifested too in symbolic acts such as the closure of the British HQ in the Presidential Palace, the violent conflict for political supremacy and control of oil reserves almost exclusively involves Shiite factions. The American authorities fear, not without cause, that this violence in the south would also spread to the Shiite-dominated government in Baghdad if American troops were pulled out too rapidly. The three large Shiite groups in Basra, namely Al-Fadhila, SIIC and the local Tha’r Allah, have been involved in bloody clashes recently, causing public life in the city to grind more or less to a standstill. Militias and criminal gangs now control both local authority offices and the city’s streets.

Historically speaking this is certainly a new development: over the past few years the terrorist network al-Qaida and Iran have been the prime suspects when it comes to accusations of sowing religious violence in the country. However Shiites are fighting other Shiites in the relatively homogenous south, where there are no US troops, nor indeed any al-Qaida splinter groups, and fairly few Sunnis. In this context, shootings in Basra are transposed virtually simultaneously to the tussle for political posts in Baghdad. Locally, the conflicting parties regularly attempt to secure control over districts in the city and resources through constantly shifting alliances, inter alia with Iran and the British. Whilst Iran’s presence certainly is felt, culturally and through imports, financial support and arms shipments, the political influence of Iran is actually limited here – due too to a pronounced southern regional identity. The US authorities at least now work on the assumption that rather than Iranian actors instrumentalising forces in Iraq to exert influence on a strategic level, it tends to be individual parties in the southern conflict that employ Iranian influence to serve their own particular interests. In this respect, it is above all significant.

that the most southern Iraqis still have vivid memories of the First Gulf War and, as in the
eighties, view themselves nowadays first as Iraqis and only secondarily as Shiites.

**Taking Stock: the Iraq First Approach**

Although at first sight the perception of a no-holds-barred confrontation between Tehran and Washington in Iraq certainly does appear entirely tenable, indications that the USA and Iran might at least to some extent cooperate and settle their differences in Iraq now look much more promising than was previously the case. More pragmatic decision-makers have gained a higher profile than dogmatists in both Tehran and Washington. It is now up to Washington to support more moderate elements in Tehran by refraining from threatening gestures against the backdrop of the Iranian nuclear programme. Rhetorical escalation would be likely to further delegitimise moderate positions in Tehran and play into the hands of precisely those forces with an interest in exacerbating the situation and rendering it more confrontational. The pluralism of actors within Iran, as outlined here, at least makes it possible – despite all the difficulties – to adopt a nuanced approach to continuing dialogue.

Above all, it should be noted that Iran's policy on Iraq is more of a reactive response than one of unfettered confrontation. It is shaped by rational decision-making patterns, which, while aiming to achieve a pronounced demonstration of regional power, are at the same time also constrained by defensive security considerations. In this context, Tehran is certainly interested in preserving an Iraqi central state and, in the light of Iraqi demography, is much more actively involved in supporting the political process in Iraq than is the case for neighbouring Sunni states. In addition, Tehran now enjoys very close economic links with Iraq. At the same time one cannot speak of comprehensive efforts to *Tehrianise* Iraq by exporting revolution.

Against this background it would be advisable in the first instance to continue the dialogue between Tehran and Washington that has been initiated. In the talks currently underway US decision-makers will not be able to avoid first expressing political acceptance of Tehran’s current strategic strength in Iraq. At the same time Washington should refrain from further *regime change rhetoric* and at least envisage a medium-term shift in the thrust of policy on this issue. In return for this validation of the Iranian position in the region, Tehran should be required to ensure greater integration of the Sunnis in post-withdrawal Iraq and called upon to end its support for anti-Sunni militias. In addition, it would be advisable for the anticipated withdrawal of the bulk of US forces in the medium term – despite General Petraeus’ current remarks – to be coordinated regionally with Iran and other neighbouring states. This seems necessary, in order to ensure that political transparency at least defuses the risk of escalation arising from interventions by neighbouring states.

This kind of *Iraq First approach* of Iranian and American cooperation could at least partially pave the way for Washington and Tehran to overcome their differences. This seems to make a great deal of sense, in no small part because it will be impossible to stabilise Iraq while efforts to destabilise Iran are afoot in other quarters.

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