



Iraq: Evading the Gathering Storm

Crisis Group Middle East Briefing N°70
Baghdad/Brussels, 29 August 2019

What's new? In June, several rockets landed near U.S. installations in Iraq, and in July-August, explosions shook weapons storage facilities and a convoy of Iraqi paramilitary groups tied to Iran. These incidents helped push U.S.-Iranian tensions to the edge of confrontation, underscoring the danger of the situation in Iraq and the Gulf.

Why does it matter? While the U.S. and Iran have so far avoided clashing directly, they are pushing the Iraqi government to take sides. Iraqi leaders are working hard to maintain the country's neutrality. But growing external pressures and internal polarisation threaten the government's survival.

What should be done? The U.S. and Iran should refrain from drawing Iraq into their rivalry, as doing so would undermine the tenuous stability Iraq has achieved in the immediate post-ISIS era. With the aid of international actors, Iraq should persevere in its diplomatic and domestic political efforts to remain neutral.

I. Overview

The rockets that fell close to U.S. assets in Iraq in mid-June and the explosions that struck the assets of Iraqi paramilitary groups with ties to Iran in July and August are ominous signals. They are clear warnings of how badly escalation between the U.S. and Iran could destabilise Iraq and the region as a whole. Even short of hostilities, Washington's "maximum pressure" campaign against Tehran could wind up placing as much stress – and inflicting as much harm – on its nominal ally Iraq as it does on its enemy Iran. For Iraq, the timing hardly could be worse. It is still recovering from the havoc wreaked by the Islamic State (ISIS) and the costly battle to defeat the jihadists; its institutions and security forces remain brittle; and its government, elected a little over a year ago, hangs on to a slim, precarious parliamentary majority. Washington and Tehran should keep Baghdad out of their confrontation: the costs to both of renewed instability in Iraq would exceed any benefits to either. Attempts to compel the Iraqi government to choose sides would likely fail and lead to chaos instead.

The Iraqi leadership is working hard to insulate the country from regional turmoil. It is stepping up diplomatic engagement with Iran, the U.S. and its immediate neighbours, as well as shoring up domestic consensus behind the objective of remaining neutral. These efforts are important but may be insufficient to protect Iraq from the spiralling U.S.-Iranian rivalry. If relations between the U.S. and Iran continue to

deteriorate, let alone if the two countries come to blows, the struggle is likely to deepen political polarisation between Iraqis supporting and opposing Iran. Even under current conditions, internal tensions may precipitate a descent into political disarray.

Both the U.S. and Iran are likely to lose from a feud in Iraq. Contrary to the Trump administration's expectations, its "maximum pressure" campaign is not countering Iran's extensive influence in Iraq, which Tehran exercises in myriad ways. As part of its pressure, Washington would like Iraq to cut back its purchases of natural gas and electricity from Iran and forge closer links to U.S.-allied Arab states. But these U.S.-directed efforts are likely to lead Iran to intensify its own pressure on Baghdad, seeking to impede the Iraqi government's efforts to strengthen its institutions, diversify its energy supply and broaden its foreign relations. Should tensions between Washington and Tehran continue to grow, U.S. personnel in Iraq could become more vulnerable to attack by pro-Iranian militias. A resulting security vacuum could enable an ISIS comeback.

Tehran, too, should have an interest in shielding Iraq from its standoff with Washington. Stability in its neighbour carries both economic and security benefits: it allows Iran to blunt the impact of U.S. sanctions by preserving ties to the Iraqi economy, and it lessens risks of an ISIS resurgence that inevitably would threaten Iran.

Others, too, can help immunise Iraq from harm, beginning with the Iraqi government itself. Steps it could take include making clear to the Trump administration which U.S. expectations it is in a position to satisfy and which it is not; bolstering efforts to bring the Iran-linked paramilitary groups under central government control; and intensifying outreach to regional states – notably Saudi Arabia, the United Arab Emirates (UAE) and Jordan – to counterbalance Iran's role without exacerbating risks of armed confrontation on Iraqi soil. For its part, Europe, which has an important stake in consolidating the achievements of the anti-ISIS campaign and avoiding more turbulence in the area, should work with Baghdad in seeking to de-escalate U.S.-Iranian tensions and preventing them from dragging Iraq, and the wider region, into a dangerous spiral.

II. From Escalation to Indirect Confrontation

U.S.-Iranian relations have been in a state of crisis for roughly four decades. But the Trump administration's May 2018 withdrawal from the Iran nuclear deal (the Joint Comprehensive Plan of Action, JCOA) and its November 2018 reimposition of U.S. economic sanctions on Iran have opened what could be one of the most perilous chapters yet. In mid-2019, following Washington's decision in May to ratchet up sanctions, a cascading series of incidents have raised the prospect of a shooting war that could engulf the Middle East.¹

For reasons of geography and history, Iraq finds itself squarely in the path of the gathering storm. In the wake of the 2003 U.S. invasion to topple the regime of Saddam Hussein, and the subsequent battle against ISIS, it is the Middle Eastern country

¹ See Crisis Group Middle East Report N°205, *Averting the Middle East's 1914 Moment*, 1 August 2019.

with the largest U.S. embassy and the highest number of U.S. troops (over 5,000).² Iran, for its part, has used the post-2003 vacuum to invest heavily in Iraq's political system, economy and security apparatus. During the four-year struggle to defeat ISIS (2014-2018), the two neighbours became intertwined to an unprecedented degree. Iran's allied Iraqi Shiite militias formed the core of the Hashd al-Shaabi (Popular Mobilisation), the amalgam of paramilitary forces (also encompassing Shiite and non-Shiite fighters without direct ties to Iran) that answered Grand Ayatollah Ali al-Sistani's call to fight ISIS.³ But Iran also cultivated political ties well outside the ranks of its Shiite Islamist allies, exploiting internal Kurdish and Sunni divisions.⁴ And cross-border trade between Iraq and Iran flourished.⁵

The defeat of ISIS, and the inauguration of President Donald Trump, have ended what had been a tacit U.S.-Iranian détente in Iraq and ushered in a period of escalating rivalry.

In the aftermath of the May 2018 Iraqi parliamentary elections, this rivalry roiled Baghdad's already factious politics, with Washington and Tehran each trying to exert influence through its preferred actors. Their tug of war over government formation lasted thirteen months and produced a list of broadly acceptable, but inherently weak office holders lacking strong support even within the political parties to which they belong. The list included Prime Minister Adel Abdul-Mahdi and President Barham Salih, two respected but somewhat isolated politicians who took up their posts in October.⁶ The posts of interior, defence and justice ministers remained unfilled for another eight months, in large part as a result of continued Iranian-U.S. sparring.⁷ Today, with most senior officials sitting outside the largest parliamentary blocs, the government remains vulnerable to a no-confidence vote among the deputies.

A key factor keeping the Abdul-Mahdi government wobbly is U.S. policy toward Iran. The moment Washington reactivated some of the previously suspended sanctions on Iran in November 2018, it called on the Iraqi government to cease payments

² On the number of U.S. troops in Iraq, see "Pentagon official assures Iraqis of limited US military role", Associated Press, 12 February 2019. U.S. troops have been stationed at several bases in Iraq, notably Ain al-Asad in Anbar, Qayyara in Ninewa, Altun Kupri in Kirkuk, Balad in Salah al-Din and Camp Victory and Camp Taji near Baghdad, since Mosul fell to ISIS in 2014. They are also posted at bases in Atrush, Harir, Halabja and near Sinjar in the Kurdish region. See Omar Sattar, "Draft law to pull foreign troops out of Iraq inching towards Parliament", *Al-Monitor*, 29 January 2019.

³ See Popular Mobilisation Law (Law 40), 26 November 2016. An Iraqi analyst close to the Hashd described its evolution: "Factions with ties to the Iranians already existed in Iraq before the [June 2014] fatwa from Grand Ayatollah Ali al-Sistani. Members of these factions are now lawmakers in parliament". Crisis Group interview, Baghdad, 26 May 2019.

⁴ For instance, it was an Iranian official who brokered deals between Shiite groups aligned with former Prime Minister Nouri al-Maliki and the Kurdistan Democratic Party about the budget and the Hashd's presence in the disputed territories. See Crisis Group Middle East Report N°199, *After Iraqi Kurdistan's Thwarted Independence Bid*, 27 March 2019, Section III.

⁵ Iraqi imports from Iran make up 14 per cent of the country's total imports. In 2017, Iran completed a gas pipeline project in Diyala. See "Iran's gas imports to Iraq to reach 50 mcd", *Financial Tribune*, 11 February 2018.

⁶ Crisis Group Report, *After Iraqi Kurdistan's Thwarted Independence Bid*, op. cit., Section III.

⁷ See "Iraqi parliament votes in defense, interior, justice ministers", Reuters, 24 June 2019. See also Maria Fantappie and Ali Vaez, "Don't Let Iraq Fall Victim to Iraq-U.S. Rivalry", *Foreign Policy*, 30 April 2019; and Ali Vaez, "The Risks of Maximising Pressure on Iran", Crisis Group Commentary, 24 April 2019.

to Tehran for natural gas and electricity and to diversify its energy imports, including through contracts with U.S. companies.⁸ Baghdad asked Washington for time to pursue alternatives, fearing Iranian retaliation as well as electricity shortages.⁹ The Trump administration responded by issuing temporary waivers, the first one for 45 days. It then renewed the waivers for 90 days in December 2018 and March 2019, and for 120 days the following June. The respite has allowed Baghdad to continue importing gas and electricity from Iran, but the U.S. has continued to press Baghdad on other files, such as the energy infrastructure contracts it wants Iraq to sign with U.S. companies.¹⁰ A U.S. official in Baghdad explained:

Our sanctions are on Iran and not on Iraq. We expect the government to develop infrastructure that will allow energy imports from Kuwait, Saudi Arabia and Jordan, just as it has developed [similar infrastructure] with Iran in Diyala [province]. The government knows it has to take these steps, because it fears we won't renew the waivers.¹¹

Another U.S. demand is that the Abdul-Mahdi government rein in the Iran-linked militias among the Hashd.¹² Since the defeat of ISIS, the Hashd have assumed quasi-state dimensions in several areas formerly under the jihadists' rule and inserted themselves into national politics as well. No unit has disarmed. In 2016, the government formally integrated the Hashd into the security forces, but it has yet to assert effective control over more than a few of them.¹³

In response to Washington's "maximum pressure" campaign, and its complementary demands upon Baghdad, Tehran stirred up anti-American sentiment in the Iraqi parliament. On 19 January, lawmakers close to Iran presented a bill (still under review) calling, among other things, for the withdrawal of U.S. troops from Iraq.¹⁴

⁸ U.S. sanctions do not expressly prohibit Iraq from importing electricity and gas from Iran, but they do so in effect, because they prevent Iraq from paying for these imports in U.S. dollars, the only currency Baghdad has been able to use thus far. Iraq imports around 1,400 megawatts of electricity from Iran, as well as 28 million cubic metres (988 million cubic feet) of natural gas for power stations. Together, these imports supply about a third of the country's power. According to the electricity minister, Iraq needs three years to make itself independent of Iranian imports. The ministry is now focused on improving Iraq's power generation capacity and electrical grid through contracts with U.S. and European companies. It is also exploring energy imports from Jordan, Turkey and Egypt. See "Q&A: Electricity Minister Luay al-Khateeb", *Iraq Oil Report*, 15 January 2019. See also "U.S. pushes Iraq to wean itself off Iranian energy", *The Wall Street Journal*, 23 November 2018; and "Trump pushes Iraq to stop buying energy from Iran", *The New York Times*, 11 February 2019.

⁹ See "Iraq seeks exemption from U.S. sanctions on Iraq", Reuters, 11 December 2018.

¹⁰ See "Iraq receives new U.S. waiver for energy imports", *Iraq Oil Report*, 14 June 2019.

¹¹ Crisis Group interview, Baghdad, 19 January 2019.

¹² A senior U.S. official said: "We want our strategic partnership with the Iraqi government to translate into strategic outcomes. The government has to be quicker in signing contracts and reining in militias. If they cannot even deliver on this, how can they call us allies?" Crisis Group interview, Washington, 18 July 2019.

¹³ See Crisis Group Middle East Report N°188, *Iraq's Paramilitary Groups: The Challenge of Rebuilding a Functioning State*, 20 July 2018.

¹⁴ In November 2008, three years before the U.S. withdrew its troops from Iraq, Washington and Baghdad signed a Strategic Framework Agreement, stating their intent to cooperate in defence and security matters (Section III). In June-August 2014, after ISIS took over large areas of Iraqi territory and threatened Baghdad and Erbil, Washington sent troops to Iraq as an emergency measure,

They demanded as well that the prime minister report on the number of U.S. troops and assets present on Iraqi soil.¹⁵ These deputies belong to the Fatah bloc, which came in second in the 2018 elections, and counts several Hashd commanders among its members.

Testy rhetorical exchanges ensued. In a televised interview, President Donald Trump stated that U.S. soldiers would need to stay in Iraq “to watch Iran”.¹⁶ Two months later, on 7 April, Iran’s supreme leader, Ali Khamenei, called on Iraqi leaders to make sure that the U.S. military leaves “as soon as possible”.¹⁷ Meanwhile, a procession of senior U.S. and Iranian officials came to Iraq to press their respective cases, including Trump himself in an unannounced visit in December 2018 and, four months later, President Hassan Rouhani of Iran.¹⁸

Since early May, competition has morphed into indirect confrontation. On 8 May, U.S. Secretary of State Mike Pompeo warned Iraqi officials of U.S. retaliation in case of an attack on U.S. assets, and a week later, the State Department withdrew non-emergency personnel from the embassy in Baghdad claiming impending security threats.¹⁹ In June, a series of rockets landed close to U.S. installations in Baghdad, Basra and Mosul.²⁰ These attacks remain unclaimed and caused no fatalities, but

operating under the Agreement’s terms. Following a 2015 UN Security Council request to UN member states to fight ISIS, the U.S. and 78 other countries sent additional troops in advisory and training roles as part of the International Coalition to Combat ISIS. The legal status of U.S. troops remains a bone of contention, as Iraqi lawmakers claim that their combat activities exceed the Agreement’s terms limiting them to an advisory role. See Sattar, “Draft law to pull foreign troops out of Iraq inching towards Parliament”, op. cit.

¹⁵ A proponent of the draft law from the Fatah bloc said, “We are not against the presence of foreign trainers and advisers in the country, but why are they placing their forces in border areas between Iraq and Syria? Trump and American troops, which are circulating freely on Iraqi soil, are not respecting Iraqi sovereignty”. Crisis Group interview, Basra, 30 May 2019. Mowaffak al-Rubaie, a former national security adviser, said, “Iran has soft power in Iraq that the U.S. lacks. They can use their influence in parliament to withdraw confidence from the government. The draft law on the foreign military presence in Iraq is a way to twist the U.S.’s arm and apply ‘limited pressure’ on the U.S.”. Crisis Group interview, Baghdad, 29 January 2019. In the words of a Fatah bloc lawmaker, “We are still waiting for the government to report to parliament on the number of foreign troops present in Iraq and the location of their bases”. Crisis Group interview, Baghdad, 29 May 2019.

¹⁶ “Trump wants the U.S. military in Iraq ‘to watch Iran’”, Reuters, 3 February 2019. Trump’s remarks contradicted messaging from other U.S. officials, who have emphasised that U.S. troops are in Iraq solely to support the government in defeating ISIS.

¹⁷ “Khamenei asks Baghdad to make sure U.S. military leaves Iraq ‘as soon as possible’”, Radio Farda, 7 April 2019.

¹⁸ “Remarks by President Trump to Troops at Al Asad Air Base”, White House Briefing, 26 December 2018; and “Iran’s Rouhani in Iraq for historic visit to offset U.S. sanctions”, *Washington Post*, 11 March 2019. Unlike Trump, who left the country without meeting Iraqi leaders, Rouhani met a number of politicians during his three-day visit. He was also received by Grand Ayatollah Ali Sistani, the highest religious authority for most Shiites. Other relevant visits include those by U.S. Secretary of State Pompeo in January and May 2019, and Iran’s Foreign Minister Jawad Zarif, in the same months.

¹⁹ See “U.S. orders ‘non-emergency’ government employees to leave Iraq”, *Washington Post*, 15 May 2019.

²⁰ Incidents included a rocket landing near the U.S. embassy in Baghdad (19 May); a rocket landing near Camp Taji, a base north of Baghdad hosting U.S. military personnel (17 June); and one projectile striking close to the headquarters of U.S. and other oil firms in Basra, and another near an Iraqi facility hosting U.S. military advisers in Mosul (both on 19 June).

they briefly raised the spectre of all-out military confrontation.²¹ Simultaneous incidents in the Gulf brought tensions to a peak.²² On 20 June, Iran shot down a U.S. drone over the Strait of Hormuz that, Tehran claimed, had entered Iranian airspace. Trump prepared a retaliatory strike on Iran before calling it off at the last minute.²³

These incidents and Iranian breaches of the JPCOA in July were followed by four separate explosions at weapons storage facilities and a raid on a convoy belonging to the Hashd in July and August. Media speculation, indirectly confirmed by Israeli government officials, attributed the explosions to Israeli bombing, which Hashd leaders accused the U.S. of enabling.²⁴ While the U.S. denied involvement in the attacks on the Hashd weapons depots, it did not denounce them. It is highly doubtful that Israel would hit Iraqi targets without at least securing Washington's acquiescence, given the considerable U.S. presence and stakes there.²⁵

Washington has certainly doubled down on its pressure campaign in other ways. The U.S. Treasury Department blacklisted the Iraqi paramilitary group Harakat al-Nujaba because of its links to Iran's Islamic Revolutionary Guard Corps. It also sanctioned individual Hashd leaders suspected of having ties to Iran or committing acts of violence against Christians and other religious minorities.²⁶ Iraqi officials said

²¹ The U.S. did not accuse Iran of having sponsored the June attacks, but Secretary of State Mike Pompeo mentioned rocket attacks on 19 May in a series of incidents he blamed on Iran and its surrogates. U.S. State Department, "Secretary of State Michael R. Pompeo Remarks to Press", Washington, 13 June 2019.

²² On 17 June, Pompeo accused Iran of two attacks on oil tankers in the Gulf of Oman (14 June) and a string of earlier ones, including a drone attack on oil installations in Saudi Arabia (14 May). The following day, Iran threatened to downgrade its JPCOA commitments. See Crisis Group, "Iran Briefing Note #1", 20 June 2019; and "Iran Briefing Note #2", 27 June 2019. Moreover, on 27 June, U.S. officials concluded that the 14 May drone attack on Saudi Arabian oil installations originated from Iraq despite being claimed by Yemen's Huthi movement. The Iraqi prime minister denied these allegations. See "U.S.: Saudi pipeline attacks originated in Iraq", *The Wall Street Journal*, 28 June 2019.

²³ See Crisis Group Report, *Averting the Middle East's 1914 Moment*, op. cit.

²⁴ The incidents included airstrikes on Hashd weapons depots at Amerli base in Salah al-Din province (19 July) and Camp Ashraf in Diyala province (28 July), as well as explosions at a weapons storage facility in Baghdad (12 August) at Balad military base, north of Baghdad (19 August) and a raid on their assets on the Iraq-Syria border (25 August). In July, Arab media claimed that Israel had twice struck Iran-linked targets in Iraq. While U.S. officials denied involvement and Israel made no official claim of responsibility, Israeli Prime Minister Benjamin Netanyahu hinted on 22 August that Israel might have been involved in the attacks, while two unnamed U.S. officials claimed that Israel was behind the attacks. See "Israel expands its targets against Iran in Iraq, Syria", *Al-Sharq al-Awsat*, 30 July 2019; "Netanyahu hints at Israeli involvement in Iraq blasts", Reuters, 22 August 2019; and "Israeli airstrike hits weapons depot in Iraq", *The New York Times*, 22 August 2019. According to an Israeli official, Netanyahu considers a confrontation with Iran to be a distinct possibility and thinks that Iran is preparing for one. Such an imminent clash would make it imperative for Israel to destroy shipments of precision-guided missiles in Syria and Iraq. Crisis Group telephone interview, 31 July 2019.

²⁵ A U.S. official said, "If you are Israel and you see your enemy [Iran] transferring missiles across Iraq and Syria you would want to prevent that. It's a natural national security concern". Crisis Group interview, Washington, 18 July 2019. A senior Iraqi diplomat said, "Previous U.S. administration warned Israel that striking in Iraq would inflame the Gulf. This administration seems very casual about it". Crisis Group interview, Geneva, 19 August 2019.

²⁶ See U.S. Treasury Department, "Treasury sanctions persons associated with serious human rights abuse and corrupt actions", press release, 18 July 2019. Among the targeted individuals are

the Trump administration, in private conversations, also threatened to withhold financial, economic and military support from Iraq if the government fails to sign energy-related contracts and rein in Iran-backed paramilitary groups.²⁷ A U.S. official in Baghdad said, “We have pressure points on the Iraqis. We can withhold U.S. currency from the Central Bank or blacklist groups for their affiliation with Iran’s Revolutionary Guard Corps”.²⁸ As if in reply, a Hashd commander issued this warning: “Blacklisting Harakat al-Nujaba has only increased their popularity. ... Once you list them among your enemies, they become one”.²⁹

III. A Fragile Neutrality

Washington’s “maximum pressure” campaign on Iran and Tehran’s response are putting severe strain on the Iraqi government, a partner to both.³⁰ An Iraqi lawmaker said:

Neither the U.S. nor Iran wants war. Yet the U.S. expects Baghdad to stand against Iran, and Iran expects Baghdad to stand against the U.S. Now parliament could put pressure on the government by threatening to withdraw confidence [if it dislikes government policy on balancing between the two], while Iran could easily influence some of the militias to provoke security incidents [in retaliation for U.S. actions in Iraq]. The government is under extreme pressure both internally and externally.³¹

Amid the countervailing pressures, senior government leaders – the prime minister, president and speaker of parliament – have shown both determination and dexterity in asserting Iraq’s neutrality. They have found support among an Iraqi public equally concerned about a potential escalation.³² In an interview with Crisis Group, President Barham Salih stated:

Our policy will remain “Iraq first” and away from a U.S.-Iran confrontation. There are countries neighbouring Iraq, including Iran, that have a vested interest in keeping Iraq stable and not part of this conflict. I am working with our neighbours’

Shabak and Christian commanders of Hashd units suspected of ties to Iran and human rights violations against their co-religionists. A senior Iraqi official said, “Lobbies on behalf of religious minorities are particularly active in Washington in showing that Baghdad is doing nothing to protect them and they have the ear of the [U.S.] vice president to pressure the U.S. administration to take punitive action. But sanctions against Hashd commanders risk strengthening these leaders’ local legitimacy, especially if they have defended their co-religionists against ISIS, and will reinforce their reliance on Iran”. Crisis Group telephone interview, 25 July 2019.

²⁷ Crisis Group interview, senior Iraqi official, Baghdad, 29 May 2019.

²⁸ Crisis Group interview, Baghdad, 19 January 2019.

²⁹ Crisis Group interview, Basra, 29 May 2019.

³⁰ A senior UN Assistance Mission for Iraq official said, “The U.S. are over-asking the [Iraqi] prime minister to deliver on their maximum pressure policy. The Iranians respond by keeping the government weak. The outcome is that the Iraqi government is under pressure, not just the Iranians”. Crisis Group interview, Baghdad, 27 May 2019.

³¹ Crisis Group interview, Baghdad, 28 May 2019.

³² As tensions peaked in late May 2019, Hanaa Edwar, a civil society leader, said, “We, together with other civil society activists, have organised demonstrations in [Baghdad’s] Tahrir Square to denounce any side that would start a conflict in Iraq”. Crisis Group interview, Baghdad, 29 May 2019.

foreign ministers and also seeking the support of the UN and EU to develop a framework of regional cooperation based on our shared interest to avoid another conflict.³³

Likewise, Iraqi leaders are working hard to forge a consensus on their country's neutrality across the domestic political spectrum. On the president's initiative, the heads of the main political groups, including Fatah, convened and agreed that a conflict between the U.S. and Iran would negatively affect Iraq. They stated in a confidential document that they would refuse to turn Iraq into "an arena for competing players to settle scores".³⁴

Responding to critics, Prime Minister Abdul-Mahdi said the U.S. troop presence is legal because the government had requested it to support the fight against ISIS. In the same spirit, he said Baghdad would not allow Washington to send additional troops without granting its permission in response to a formal request.³⁵ On 18 June, following the rocket incidents, he issued a statement prohibiting foreign troops deployed for advisory or training purposes from using Iraqi soil to launch attacks against Iraq's neighbours and forbidding any party to acquire weapons or carry out security operations without the government's consent.³⁶ He addressed the question of the Hashd's status by issuing a decree reaffirming the government's authority over paramilitary groups and denouncing any activities conducted outside his command.³⁷ Finally, following the airstrikes on Hashd armories, he issued a statement banning unauthorised flights in the country's airspace and called for an investigation into the Baghdad explosions.³⁸

Baghdad also is seeking a way out of its energy quandary. While it continues to pay Iran for gas and electricity imports, it is in the process of signing contracts with Jordan and Saudi Arabia, as well as with European and U.S. energy companies.³⁹ Still, as Fuad Hussein, Iraq's finance minister, made clear, the government cannot afford to stop doing business with Iran:

³³ Crisis Group interview, Baghdad, 28 May 2019. Ayatollah Sistani echoed the need for "securing Iraq-Iran ties while improving Iraq's relations with its neighbors based on mutual interests, non-interference and respect of sovereignty" during his meeting with Rouhani in March 2019. See "Iraq's top Shiite cleric tells Rouhani ties must respect Iraq's sovereignty", Reuters, 13 March 2019.

³⁴ President Salih said, "We convened key Iraqi leaders, including Maliki, Qais al-Khazali [leader of Asaeb Ahl al-Haq, one of the most influential Hashd groups], Hadi al-Ameri [leader of the Badr organisation and founder of the Fatah coalition] and a senior Sadrist, and agreed on a confidential document that clarifies the status of the foreign military presence in Iraq and reaffirms Iraqi leaders' commitment to maintaining a neutral position in the U.S.-Iran confrontation and diversifying our foreign relations". Crisis Group interview, Baghdad, 28 May 2019.

³⁵ See "U.S. troops in Iraq were invited, PM Abdul Mahdi tells critics", *Rudaw*, 20 February 2019.

³⁶ See Ali Mamouri, "Iran already turning Iraq into a battleground against U.S.", *Al-Monitor*, 19 June 2019.

³⁷ Full text of decree available at "Iraqi PM decrees full integration of PMF into Iraqi forces", *Rudaw*, 1 July 2017.

³⁸ See "Iraq takes security measures following mysterious blasts", Associated Press, 15 August 2019.

³⁹ Crisis Group interview, Baghdad, 28 October 2018. See also "GE and Siemens sign agreements for Iraq power deals", *Financial Times*, 28 October 2018; "Iraq close to signing \$53 billion deal with Exxon, Petrochina", Reuters, 7 May 2019; "Iraq, Jordan agree deal over trade of oil and goods", Reuters, 3 February 2019; and "Iraq close to pipeline deal with BP and ENI, rather than Exxon", Reuters, 8 August 2019.

Cutting gas imports from Iran will harm the government's stability. The problem is political more than technical. We could import gas and electricity from other countries in the medium term, but if Iraq undermines its relationship with Iran, parliament is likely to withdraw its confidence in the government.⁴⁰

The government has started discussing the establishment of a "special-purpose vehicle" (loosely modelled on the European equivalent) that would allow it to pay for energy imports from Iran in Iraqi dinars instead of U.S. dollars, to be deposited in an Iraq-based bank account from which Iran could then draw exclusively to buy humanitarian goods in Iraq – thereby refraining from violating U.S. sanctions.⁴¹

The president, prime minister and speaker of parliament have stepped up their diplomatic engagement as well. They have reached out to Iraq's neighbours – Saudi Arabia, the UAE, Turkey, Iran, Jordan, Egypt and Kuwait – in an attempt to diversify ties and proposed a regional conference to build consensus on the perils of a U.S.-Iran confrontation.⁴² Moreover, while not offering to mediate between the U.S. and Iran, fearing that doing so would only increase pressures on the government, they have served as an informal channel to pass messages between the two.⁴³

These efforts notwithstanding, the Iraqi leadership's commitment to neutrality may not suffice to insulate the country from external perils.⁴⁴ Should the U.S.-Iran standoff intensify or, worse, turn violent, it would have an immediate impact on Iraq's domestic politics and shake the delicate equilibrium its leaders are striving to maintain.

IV. Pressure Points

Iraq faces several risks from the current crisis. Most ominously, an escalation to direct U.S.-Iranian confrontation could encourage paramilitary groups with ties to Iran to begin targeting U.S. assets on Iraqi soil.⁴⁵ The most likely triggers for such

⁴⁰ Crisis Group interview, Baghdad, 15 January 2019.

⁴¹ "Iraq sets up 'loophole' to buy Iran's power despite U.S. sanctions", Agence France Presse, 2 July 2019.

⁴² Crisis Group interview, Barham Salih, president of Iraq, 28 May 2019. Prime Minister Abdul-Mahdi visited Jordan and Egypt (March 2019), Saudi Arabia (April) and Kuwait (June). President Salih visited Saudi Arabia (November 2018), Turkey (May 2019) and Iran (June). Speaker of Parliament Mohamed al-Halbousi visited the U.S. (May 2019), Iran and the UAE (both in June).

⁴³ An adviser to the president said, "Iraq is not mediating between the U.S. and Iran. The president is only passing messages. Trying to mediate would mean becoming part of that conflict. Instead, we [the presidency] are working to gather the foreign ministers of our neighbours and agree on a regional framework for cooperation. If we succeed in staying neutral, this will already have a mitigating effect on the confrontation". Crisis Group interview, Baghdad, 28 May 2019.

⁴⁴ A member of the Daawa party, a leading Shiite Islamist group to which three prime ministers belonged between 2005 and 2018, said, "The government is indecisive. If it no more than states its neutrality without actively creating relations that allow it to be neutral, it will become even more vulnerable to pressure from the U.S. and Iran". Crisis Group interview, Baghdad, 27 May 2019.

⁴⁵ Among other risks, Iran suspects that the U.S., Saudi Arabia and/or Bahrain might incite attacks on Iran by Iranian Kurdish groups such as the Kurdistan Democratic Party of Iran and the leftist Komala. Both have offices and military bases in Iraqi Kurdistan. Crisis Group interview, senior Iranian official, 17 July 2019. That said, Iran ought to be able to deter these groups, because their

action are continued (Israeli or other) strikes against Iranian assets in Iraq, a U.S. attack on Iranian assets and a U.S. decision not to renew Iraq's gas and electricity import waivers. Separately, strong domestic discontent could emerge over other issues, for example, inadequate public services, that could push legislators to threaten a no-confidence vote in the Abdul-Mahdi government. Any of these eventualities could force the government to throw in its lot with the Fatah bloc, which, in turn, would pressure it to take Iran's side in the U.S.-Iranian confrontation. The government's only alternative to alliance with Fatah would be dissolution.

There is little doubt that political parties and paramilitary groups with longstanding ties to Tehran will choose Iran's side if a conflict breaks out, especially if they believe that the U.S. provoked it. Faleh al-Khazali, a Fatah lawmaker, said:

For now, parties are united in opposing a confrontation between the Americans and Iran. But if the Americans launch an attack, there will be a response, and ordinary Iraqis will be the first to mobilise against the Americans.⁴⁶

Since the end of Iraq's sectarian war (2005-2007), Iran and its allied groups have been careful not to provoke open hostilities with the U.S. on Iraqi soil, aware that attacks on U.S. personnel could lead to all-out war and that whoever starts the fighting would bear responsibility in Iraqi public opinion.⁴⁷ But this restraint is unlikely to survive continued escalation – whether in the form of renewed attacks on Iraqi paramilitary groups' weapons depots or a U.S. strike on either Iranian or Iraqi soil. At that point, one should expect to see Tehran mobilise Iraqi paramilitary groups in retaliation.

On 21 August, Abu Mahdi al-Muhandis, deputy head of the Hashd, issued a statement holding the U.S. responsible for the strikes on weapons storehouses, alleging that Washington had "introduced Israeli drones into Iraq". He warned of a Hashd response should another attack occur.⁴⁸ On 25 August, the Hashd also accused Israel of targeting one of their convoys via U.S.-controlled airspace on Iraq's border with Syria.⁴⁹ The next day, the Pentagon, perhaps fearing retaliation, issued a statement

bases are located in areas dominated by the Patriotic Union of Kurdistan, an organisation over which Iran wields considerable influence.

⁴⁶ Crisis Group interview, Basra, 30 May 2019. A Daawa party member with close ties to Maliki said, "If the Americans start a war with Iran, we [Maliki's faction of the Daawa party] will choose Iran's side. The Hashd will operate outside the government's purview. We may have an open-door policy with Saudi Arabia at the moment, but if there is going to be war, there won't be a safe corner in the Gulf". Crisis Group interview, Baghdad, 1 June 2019.

⁴⁷ A civil society activist said, "Everyone is afraid to be part of a war; even those who hate Iran are against it. I'll bet the side that starts the war will be the one to lose it [in the public eye]". Crisis Group interview, Baghdad, 28 May 2019.

⁴⁸ The Muhandis statement reads: "We have available to us precise and confirmed information that the Americans introduced Israeli drones [into Iraq] via Azerbaijan". "Official Statement of the Deputy Chairman of the Popular Mobilisation Units Commission", al-Hashd website, 21 August 2019 (Arabic). Following the statement, a U.S. official said, "If my general concern level on an average day regarding violence that could harm U.S. personnel deployed in Iraq is a three out of ten, I am at eight or nine right now". Crisis Group telephone interview, 22 August 2019.

⁴⁹ The statement reads: "This naked aggression came despite the presence of aerial cover in the area from American aircraft in addition to a large surveillance balloon near the location of the incident".

denying U.S. involvement in the August attacks, saying “statements to the contrary are false, misleading and inflammatory”.⁵⁰

The Abdul-Mahdi government would be unable to stop the Hashd from striking back as it saw fit. The prime minister’s control over the Hashd remains weak. Despite his efforts to reaffirm his command, several groups continue to operate in parallel to those factions that have formally integrated into the security forces. These units are even outside the purview of the overarching Popular Mobilisation Commission.⁵¹ A Hashd commander said:

Iran does not want a war, but if there is going to be one, it will resort to all its allies in Iraq: not just fighters under the Popular Mobilisation Commission but also those operating outside of it.⁵²

The prime minister’s 1 July 2019 decree on the integration of Hashd groups offers the government additional legal means of demanding accountability for activities carried out outside its purview and distinguishing between Hashd factions willing to operate under the Iraqi security forces’ umbrella and prime minister’s command and those that are not. Yet the government’s ability to bring to heel this network of military figures with strong ties to the Fatah bloc remains limited. Lack of cooperation among Iraq’s disparate intelligence agencies complicates any effort to investigate security incidents.⁵³ Trying to prosecute culprits for these attacks could also endanger the government’s parliamentary majority.⁵⁴ Further strikes against Hashd installations would also put the militias in a position to act as defenders of Iraqi sovereignty against foreign attacks.⁵⁵

“Popular Mobilisation Units Issue a Statement on the Targeting of al-Hashd in Anbar”, al-Hashd website, 25 August 2019 (Arabic).

⁵⁰ “Statement on Recent Attacks in Iraq”, U.S. Department of Defense, 26 August 2019.

⁵¹ As an Iraqi analyst close to the Hashd put it, “Factions refrain from taking action, because they don’t want to get into trouble. But if anything starts, they are ready to join. Every Hashd group has fighters outside its regular contingent, waiting for orders”. Crisis Group interview, Baghdad, 28 May 2019. A Sunni Hashd member said, “In case of conflict, paramilitary commanders are going to mobilise the Sunni Hashd in Anbar, where the largest U.S. military base [Ain al-Assad] is located. In late May, [National Security Adviser] Faleh al-Fayyadh [responsible for disbursing Hashd salaries] issued an order telling Sunni Hashd leaders in Anbar not to cooperate with or receive training and weapons from American forces”. Crisis Group interview, Baghdad, 28 May 2019.

⁵² Crisis Group interview, Baghdad, 26 May 2019.

⁵³ A senior Iraqi diplomat said, “Iraq’s senior leaders remain dependent on U.S. intelligence to track down incidents and threats against U.S. personnel and assets. This is a major liability of Iraq’s intelligence system. A U.S. intelligence report attributing responsibility to Iraqi paramilitaries for security incidents will place the government in a difficult position”. Crisis Group phone interview, 26 May 2019.

⁵⁴ An adviser to President Salih said, “We suggested that the prime minister investigate the rocket attack near the American embassy. If he were to do so, however, people in parliament would find a way to retaliate. What we can do is to denounce these attacks and draw a sharp line between factions that want to respect the law and those that don’t”. Crisis Group interview, Baghdad, 28 May 2019.

⁵⁵ In his statement, Muhandis denounced “the Trump administration’s violation of sovereignty” and referred to the prime minister’s decree legalising the Hashd as a component of Iraq’s security forces before warning that the group would retaliate in the event of future attacks. On 22 August, the prime minister, president and speaker of parliament issued a joint rebuttal of Muhandis’ statement. They reaffirmed that the prime minister is responsible for issuing statements on security

A more likely and no less dangerous scenario is that an Iran confronted with debilitating economic pressures – which would grow stronger should the U.S. decide not to renew sanctions waivers for Iraq – could at some point retaliate by targeting U.S. interests. Iran may calculate that it would be better to risk a confrontation with the U.S. than to risk an internal crisis due to economic collapse. And if Iran were to hit back at the U.S., it would likely do so in Iraq, where it can count on the paramilitary groups and political allies in parliament to challenge the U.S. military presence.⁵⁶

Even a legislatively forced U.S. withdrawal would have serious consequences as it could jeopardise the fight against ISIS, whose threat may have lessened but has not been eliminated; its remaining fighters are holed up in rugged terrain in central and western Iraq. Continued cooperation between the Iraqi military and U.S.-led Coalition forces is essential to ensure that jihadist cells in rural areas cannot launch operations reaching major towns.⁵⁷

Even absent a direct U.S.-Iran confrontation, Iran or its domestic allies could leverage popular discontent to corner the government. Street protests against the government's failings in service delivery peaked in 2018 during the searing summer heat.⁵⁸ A new round of protests this year could induce parliamentary blocs that still support the government to abandon it, increasing the prime minister's reliance on the Fatah bloc and emboldening the elements closer to Iran to press the government to either confront the U.S. or face a no-confidence vote.⁵⁹

incidents and called on all security agencies, including the Hashd, to respect his prerogative. "Iraq will not be part of a proxy war", *Rudaw*, 22 August 2019. On 26 August, the prime minister, president and speaker of parliament, together with Faleh al-Fayyadh, received Hashd representatives to praise their role in fighting ISIS and to reaffirm the importance of a unified national position to protect Iraq from violations of its sovereignty. See "The Three Presidencies Hold a Meeting with the Leadership of the Hashd al-Shaabi", Iraqi Presidency, press release, 26 August 2019.

⁵⁶ A government minister said, "Iran is amassing support in parliament to question the legitimacy of the American troop presence in Iraq. This would be a disaster. The Sadrists, in a position to claim ownership of the Iraqi national struggle against foreign interference, would support such legislative action. Many Shiite politicians seem to have a hard time understanding that Iraq can be stable only in a situation of a balanced Iran-U.S. relationship". Crisis Group interview, Baghdad, 27 May 2019.

⁵⁷ ISIS currently operates in remote areas such as the Hamrin mountain range in Kirkuk and the depths of the Anbar and Jazeera (Ninewa) deserts. Iraqi government control over these areas has been tenuous for decades, including under the previous regime; traditional security forces cannot easily patrol there. An Iraqi security official said U.S. surveillance and intelligence are important to policing these areas: "It's one of the reasons for the end of ISIS. [Those foreign forces'] exit would be very dangerous. So if there isn't international cooperation against it, it will be hard to deal with it". Crisis Group interview, Kirkuk, March 2019. A diplomat from a Coalition member state argued that the Iraqi military is now better trained and prepared than in the past, but "where they aren't ready is in airpower and ISR [intelligence, surveillance and reconnaissance]. Iraq doesn't need ground forces. It needs airpower". Crisis Group interview, Baghdad, February 2019.

⁵⁸ See Crisis Group Middle East Briefing N°61, *How to Cope with Iraq's Summer Brushfire*, 31 July 2018. In June 2019, protests started up again in Basra and other southern provinces as temperatures rose. Mustafa Saadoun, "Basra protests build in Iraq as substandard services persist", *Al-Monitor*, 29 June 2019.

⁵⁹ The Sadrist bloc, the largest in parliament, has insisted that the government act on its reform program. On 18 June, Muqtada al-Sadr, its leader, threatened it would "change its stance" if the government failed to deliver on reforms and complete government formation. (Government formation was completed six days later.) A Sadrist lawmaker characterised the current circumstances as follows: "We are in a situation of stagnation rather than stability, and the government's perfor-

V. Reducing the Risk of Confrontation

The cost of renewed conflict in Iraq would be enormous, not least in light of the significant investments both Iran and the U.S. have made in the country since 2003. To avoid this outcome, Washington will need to address the growing contradictions between its various policy objectives: countering Iran at virtually any cost; securing its post-2003 gains in Iraq through a continued military presence; and preventing an ISIS resurgence. Any escalation by Washington – more belligerent anti-Iranian rhetoric or intensified pressure on the Iraqi government to comply with sanctions on Iran, let alone U.S. (or Israeli) military action against Iran or its Iraqi allies – could prompt Tehran to activate its allies and target U.S. assets and personnel.

The Trump administration likewise will need to narrow the gap between what it demands of Baghdad and what Baghdad can effectively deliver. The U.S. administration's anti-Iranian fixation and the pressure it exerts to get Iraq to comply with its sanctions are having a host of unintended effects. They are harming U.S.-Iraqi relations; emboldening Iranian allies in Baghdad; and complicating Baghdad's attempts to achieve what Washington claims it wants: warmer relations between Iraq and its Arab neighbours. A more effective U.S. policy would tone down the anti-Iranian rhetoric; continue to issue sanctions waivers for reasons both economic (given Iraq's dependence on Iran) and political (given the sensitivities of Iran and its Iraqi allies); and focus on a longer-term strategy of helping Baghdad balance Iran's influence by backing its efforts to strengthen political and economic ties with U.S. partners, such as Jordan, Saudi Arabia, the UAE, Kuwait and Qatar.

Iran, too, ought to see merit in avoiding actions that destabilise its neighbour. A stable Iraq will be in a better position to help Tehran absorb the impact of U.S. sanctions; as its oil sales diminish, Iran increasingly will rely on non-oil trade, with Iraq in particular. It is unclear how far the Trump administration will go in pressing Iraq to cut those economic ties, but Iran has every reason not to force the issue. Directly or indirectly targeting the U.S. in Iraq almost certainly would lead the administration to double down on its current approach and give those in Washington intent on increasing pressure on Baghdad a justification for doing so. Accordingly, Iran should clearly communicate to its Iraqi allies that they ought to refrain from provocative behaviour.

Iran also should have an interest in the success of the counter-ISIS campaign, including through the ongoing U.S./Coalition role, given the threat the organisation presented to Iran and to Shiites in Iraq. In the absence of a credible replacement for the technical capabilities the U.S. and its international partners bring to the fight, a move to expel American forces could end up harming both Iraq's and Iran's security.

mance is below expectations". Crisis Group interview, Baghdad, 27 May 2019. On 16 June, the National Wisdom Movement (Hikma), a coalition led by Ammar al-Hakim that holds nineteen seats in the 329-seat parliament, ended its support for the government and shifted to the opposition in protest against the government's poor performance. While the government can still count on the two largest political blocs, it would fall if the Sadrist (54 seats) were to join the opposition. A government minister said, "This prime minister does not have a party behind him and the government could fall at any time. If the prime minister resigns, it would take a long time for Shiite blocs to reach agreement on a new prime minister, considering how divided they are". Crisis Group interview, Baghdad, 26 May 2019.

As for Iraq's leaders, they should continue to consolidate their country's neutrality in the U.S.-Iranian standoff. The government faces difficult months, born of the potential combination of street protests, parliamentary disputes and regional confrontation. It should tell parliament and the public that Iraq cannot bear the political or economic costs of being embroiled in U.S.-Iranian battles.

The Iraqi government also should clearly spell out to the Trump administration and the U.S. Congress – perhaps via a high-level delegation visit to Washington – the measures it cannot take vis-à-vis Iran without risking domestic political or military backlash; the conditions under which it can remain neutral; and possibly a roadmap of steps it could take over the next six months in response to U.S. demands.⁶⁰ These steps could include strengthening economic and political ties to Arab neighbours and signing energy as well as trade deals with non-Iranian companies. Taking these measures would signal Iraq's determination both to ensure its independence and to fortify its economy with diversification. Iraq's message should be that it cannot remain neutral in the U.S.-Iran showdown unless Washington dials down its escalatory approach and refrains from compelling Iraq to take sides through its sanctions policy.

The Iraqi government also would be well advised to enlist the support of other members of the anti-ISIS coalition, highlighting the risks of an unstable Iraq. The EU's July 2019 statement in support of Baghdad strengthening relations with its neighbours through an Iraq-proposed regional conference is a positive development in this direction at a critical time, as it could reduce the impact of U.S.-Iran tensions on Iraq.⁶¹ For outside actors, de-escalating the U.S.-Iran confrontation is a tall order. But supporting an Iraqi government committed to neutrality in that rivalry is an intermediate step that could mitigate risks of all-out war and chaos in the region while preserving Iraq's recovery.

VI. Conclusion

Thus far, the Iraqi government has proven successful in distancing itself from the looming confrontation between its two powerful backers, the U.S. and Iran. But its efforts may fall short if Washington and Tehran remain on their current collision course.

Both the U.S. and Iran should wish to avoid dragging Iraq into their fight. Doing so would jeopardise U.S. assets in the country. It would harm Iran's trade at the same time that U.S. sanctions begin to bite harder. And neither the U.S. nor Iran wants to give ISIS a new lease on life.

⁶⁰ As a senior Iraqi diplomat put it, "The prime minister understands the gravity of the situation and American expectations. But there are only a limited number of things he can do. It is in our interest as well to sign contracts that increase oil production and diversify our energy sources. But when it comes to security issues such as reining in militias, it requires a power base in parliament that this government simply does not have". Crisis Group interview, Washington, 25 July 2019.

⁶¹ "EU supports Iraq-proposed conference on US-Iran tensions", Associated Press, 13 July 2019. See also "Remarks by High-Representative/Vice President Federica Mogherini at joint press event with Foreign Minister of Iraq", Baghdad, 17 July 2019.

For both the U.S. and Iran, and for the other countries that contributed to defeating ISIS, the Iraqi leadership's commitment to the country's neutrality is an opportunity to seize, especially considering how devastating a new cycle of instability would be for a country struggling to emerge from the last one.

Baghdad/Brussels, 29 August 2019



International Crisis Group

Headquarters

Avenue Louise 149, 1050 Brussels, Belgium

Tel: +32 2 502 90 38. Fax: +32 2 502 50 38

brussels@crisisgroup.org

New York Office

newyork@crisisgroup.org

Washington Office

washington@crisisgroup.org

London Office

london@crisisgroup.org

Regional Offices and Field Representation

Crisis Group also operates out of over 25 locations in Africa, Asia, Europe, the Middle East and Latin America.

See www.crisisgroup.org for details

PREVENTING WAR. SHAPING PEACE.