

CRS Report for Congress

Iraq: Regional Perspectives and U.S. Policy

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Summary

Iraq's neighbors have influenced events in Iraq since the fall of the Saddam Hussein regime in 2003, and developments in Iraq have had political, economic, and security implications for Iraq's neighbors and the broader Middle East. Ongoing insurgency and sectarian violence in Iraq and discussion of options for modifying U.S. policy toward Iraq are fueling intense consideration of Iraq's future and the current and potential policies of Iraq's neighbors. Policymakers and observers are considering a number of different "Iraq scenarios," ranging from the resolution of outstanding Iraqi political disputes and the successful consolidation of Iraq's government and security forces, to greater escalation of sectarian violence into nationwide civil war and the potential for greater intervention by Iraq's neighbors.

Understanding regional perspectives on Iraq and the potential nature and likelihood of regional responses to various scenarios will be essential for Members of the 110th Congress as they consider proposed changes to U.S. policy, including the recommendations of the Iraq Study Group (ISG), new Administration initiatives, and annual appropriations and authorization legislation. Proposals for more robust U.S. diplomatic engagement with Iraq's neighbors, including currently problematic parties such as Iran and Syria, may be of particular interest to Members during the first session of the 110th Congress: the Iraq Study Group report asserted that Iraqis will not be able to achieve security and national reconciliation goals necessary to prevent a wider conflict without regional and international support. Press reports suggest that the Administration plans to strengthen security cooperation with some of Iraq's neighbors and that new arms sales and security assistance authorization and appropriations requests may be submitted to Congress to support these plans during 2007.

This report provides information about the current perspectives and policies of Iraq's neighbors; analyzes potential regional responses to continued insurgency, wider sectarian or ethnic violence, and long-term stabilization; discusses shared concerns and U.S. long-term regional interests; and reviews U.S. policy options for responding to various contingencies. For more information on Iraq and regional perspectives, see CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*; CRS Report RS22079, *The Kurds in Post-Saddam Iraq*; and CRS Report RS22323, *Iran's Influence in Iraq*. This report will be updated to reflect major developments.

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Iraq: Regional Perspectives and U.S. Policy

Regional perspectives on the conflict in Iraq and the nature of potential responses by Iraq's neighbors will be relevant to Members of the 110th Congress as they consider the recommendations of the Iraq Study Group, new Administration policy proposals, a possible FY2007 supplemental, and annual appropriations and authorization legislation. Principal current concerns include alleged Iranian political, financial, and military support for various Iraqi Shiite political parties and militia groups; Turkish apprehension about the future of northern Iraq's Kurdish and Turkomen populations and a potential bid for Kurdish independence; and Sunni Arab states' anxiety about the fate of Iraq's minority Sunni Arab population and the growth of Iran's regional influence. Longer term concerns focus on the challenges likely to arise during the reintegration of a deeply changed Iraq into the region's strategic military balance and global economic and energy markets.

Iraq and other regional security problems, such as the Israeli-Palestinian conflict, the enduring threat of transnational terrorism, Iran's nuclear program, and the ongoing political crisis in Lebanon, are becoming increasingly intertwined. Some observers believe that, in order for the United States and its allies to reach a sustainable reconciliation and find a lasting solution in Iraq, related regional crises also must be addressed. Others contend that lasting resolutions to these problems can only be secured according to their own time-lines and that efforts to link them to the stabilization of Iraq are unlikely to produce desirable results. The Iraq Study Group and other have argued that if Iraqis are unable to resolve their differences and rein in armed groups, then Iraq could continue to descend into violence, and Iraq's neighbors might intervene to defend their perceived national interests. Should Iraq stabilize, Iraq's neighbors are expected to deepen their economic and political re-engagement with Iraqis while seeking to minimize the potential for the post-Saddam Iraq to threaten their security or regional standing.

Common Questions, Unique Concerns

The United States, Iraq's neighbors, and Iraqi political groups have distinct views and interests with regard to a common set of policy questions about Iraq's future. As observers of and participants in Iraqi affairs, Iraq's neighbors are seeking to understand and influence changes in the following five areas:

- the regional strategic balance;
- prospects for sectarian and ethnic violence (in Iraq and elsewhere);
- the strength of Iraq-based transnational terrorist groups;
- the status of Iraqi refugees and internally displaced persons; and
- the emergence of viable long term economic opportunities.

The manner in which the United States and regional parties prioritize and pursue their interests in these areas will determine whether greater cooperation or confrontation define Iraq's future and its long-term relations with its neighbors.

The Regional Strategic Balance and Political Stability. The removal of the Saddam Hussein regime upset the tenuous political and economic balance that had existed in the Persian Gulf region since the end of the 1991 Gulf War. In political and military terms, the regime's fall and the subsequent dismantling of Iraq's armed forces removed a potential military threat to the Arab Gulf states but also eliminated the region's principal strategic counterweight to Iran. Subsequent elections have installed a Shiite-dominated government, some of whose members are friendly to Iranian interests. In economic terms, the termination of the U.N. sanctions on Iraq created new trade and investment opportunities that have contributed to regional economic growth but remain limited by ongoing violence. Other trends that have defined the postwar environment in Iraq are reflected elsewhere in the region and are creating significant concern among regional powers: the mobilization of populations along ethnic or sectarian lines and the emboldening of politically affiliated, armed non-state actors have upended established patterns of rule and created challenges to central government authority.¹

From the U.S. perspective, regime change in Iraq brought an end to the need for a policy of containment toward Iraq and the attendant U.S. military posture that had supported it since the end of the 1991 Gulf War. Stabilization and training efforts in Iraq, regional counterterrorism activities, and the potential for confrontation with Iran have replaced containment of Saddam's Iraq as the principal strategic drivers of the U.S. military presence in the region. Subsequent developments in Iraq and the region will affect future consideration of U.S. basing, access, and pre-positioning needs and, by extension, bilateral relations between the United States and a number of regional governments.² Containment of violence in Iraq and potential Iranian threats to neighboring countries or international shipping in the Persian Gulf may emerge as strategic concerns that could require significant changes to U.S. policy and military presence in the region.

Sectarian and Ethnic Politics and Violence. The hardening of sectarian and ethnic identities in Iraq has created significant anxiety among Iraq's neighbors, many of whom also have religiously and ethnically diverse populations. Sunni Arab governments and religious figures have characterized the empowerment of Iraq's Shiite Arabs and close relationships between the Iranian government and some Iraqi and non-Iraqi Shiite political parties and armed groups as evidence of an emerging and potentially hostile "Shiite crescent." Sunni Arabs in Saudi Arabia, Jordan, and Egypt also have accused Iraqi Shiite militia groups and Shiite-dominated Iraqi security forces of targeting Sunni Arab civilians. Similarly, Shiites outside of Iraq have expressed alarm about the targeting of Iraqi Shiite civilians by Sunni Arab-led insurgent and terrorist groups and the potential for Sunni Arab-led governments to

¹ For a discussion of these trends, see Graham Fuller, "The Hizballah-Iran Connection: Model for Sunni Resistance," *Washington Quarterly*, Vol. 30, No. 1, Winter 2006-2007.

² See Dr. W. Andrew Terrill, *Regional Fears of Western Primacy and the Future of U.S. Middle Eastern Basing Policy*, U.S. Army War College, Dec. 15, 2006.

intervene in Iraqi affairs to the detriment of Iraqi Shiites. Turkish concerns about Kurdish separatism and the fate of Iraq's ethnically-Turkish Turkoman minority group are well documented and drive Turkish policy regarding Iraq.

The post-Saddam strengthening of Iraqi Shiite political parties and the Shiite *hawza*, or religious establishment in An Najaf also have regional implications. Both phenomena contribute to concern in Saudi Arabia and Bahrain that indigenous Shiite Arabs may become more politically active or hostile, based on the example of Iraq's empowered Shiite population or in response to future pronouncements from Iraq-based clerics. Sectarian tension continues to characterize Bahrain's domestic politics, and Saudi Arabia's minority Shiite population has come under renewed scrutiny from some Sunni Saudis in spite of a recent trend toward rapprochement. Iran, the traditional target of Sunni Arab concerns about Shiite interference, also may harbor concerns that clerics in An Najaf could challenge or undermine the religious authority of the *hawza* in the Iranian city of Qom.

Transnational and Nationalist Terrorism. The United States and Iraq's neighbors have expressed concern about the establishment and growth of various transnational terrorist organizations in Iraq since the fall of the Saddam Hussein regime. Ongoing conflict and the unreliable state of Iraq's security forces create the potential for a chaotic Iraq to serve as an ungoverned space that terrorist organizations can exploit. Under the late Jordanian terrorist leader Abu Musab al Zarqawi, Al Qaeda in Iraq grew to embody these fears by creating a sophisticated Iraqi and regional terrorist network that claimed responsibility for deadly attacks in neighboring Jordan. Ethnic nationalist terrorist organizations such as the Mojahedin-e Khalq (MEK/MKO), the Party for Freedom and Life in Kurdistan, and the Kurdistan Workers' Party (PKK) pose similar transnational threats to Turkey and Iran. From a U.S. perspective, these groups may contribute to regional instability if their activities provoke hostile responses by Iraq's neighbors.³

Broader international concerns focus on the foreign fighters who continue to travel to Iraq. Although the overall numbers of volunteers reportedly remain limited and their survival rates are reported to be quite low, the foreign fighter phenomenon has led many observers to suspect that non-Iraqi fighters who survive their experiences in Iraq may attempt to follow the example of the so-called "Afghan Arab" veterans of the anti-Soviet war in Afghanistan by returning to their countries of origin or traveling to other conflict zones and helping to ignite and sustain insurgencies and terrorist campaigns. Recent research has determined that experienced "Afghan Arab" fighters and their recent trainees formed the core cadre of Al Qaeda in the Arabian Peninsula and contributed to the group's lethality and resilience in the face of Saudi counter-terrorism efforts.⁴ Coordination between the

³ The MEK is designated by the U.S. government as a Foreign Terrorist Organization (FTO). The U.S. military and U.S. intelligence services took action to disarm and screen MEK personnel present in Iraq after the fall of Saddam Hussein. The U.S. Army continues to guard an MEK facility northeast of Baghdad known as Camp Ashraf where over 3,000 MEK members have been granted "protected persons" status under the Geneva Conventions.

⁴ See Thomas Hegghammer, "Terrorist Recruitment and Radicalization in Saudi Arabia," (continued...)

United States, regional governments, and the wider international community may be required to effectively stem any eventual reverse flow of volunteers from Iraq.

Refugees and Internally Displaced Persons. The conflict in Iraq has produced a serious humanitarian situation for millions of Iraqis who have become internally displaced or have fled Iraq to other regional countries. Non-Iraqi refugees within Iraq also have suffered. Iraq's neighbors are faced with the dual pressures of responding to the steady flows of displaced Iraqis reaching their borders as well as to the needs of Iraqis and non-Iraqis displaced within Iraq. At the popular level, strong religious charitable imperatives and the bonds of ethnicity and sectarian concern have produced calls for greater involvement, while, in some countries, the massive influx of Iraqi refugees has created economic and political disruptions. The United Nations continues to call on the countries of the region and the international community to coordinate a more effective relief response. In the event of wider or more lasting conflict, those needs could increase substantially.

Table 1. Refugees and Internally Displaced Persons (IDPs)

Refugees and IDPs in Iraq	
Refugees in Iraq (Palestinian, Syrian, Iranian, Turkish, Sudanese, etc.)	50,000
Returnees in Iraq (2003-2006)	300,000
Internally Displaced Persons in Iraq (# of new IDPs Oct'06)	1,600,000 (425,000)
Stateless ("Bidoons," etc.) ^a	130,000
Total	2,080,000
Iraqi Refugees in the Region	
Jordan	500,000 — 700,000
Syria	500,000 — 1,000,000
Lebanon	25,000 — 40,000
Iran	54,000
Egypt	80,000
Total	up to 1,874,000

Source: United Nations High Commissioner for Refugees (UNHCR), Update on the Iraq Situation, Nov. 2006; and, Supplementary Appeal - Iraq Situation Response, Jan. 2007.

a. The term "bidoon" refers to Bedouin Arabs and others who do not hold or have not been granted citizenship in any of the region's countries.

⁴ (...continued)

Economic Opportunities. Iraq's vast energy resources, its large consumer market, and its position as a geographic crossroads make it an attractive economic partner for its neighbors and the international community. However, since 2003, the lingering effects of over a decade of international sanctions and continuing postwar violence have created conditions that limit the ability of Iraq's neighbors to expand trade with and investment in Iraq to its full potential. Bilateral and intra-regional trade levels have increased from the Saddam era, especially with regard to regional demand for Iraq's energy resources. However, ongoing violence has limited the extent to which entities and individuals in the region have been willing and able to invest and conduct business in Iraq. Over the medium to long term, the rehabilitation of Iraq's oil production infrastructure and the expansion of exploration and production are expected to increase the availability of oil and refined petroleum products in the region, but may also create production quota competition within OPEC and affect prices and consumption patterns in global energy markets.

Iraq's Future

The diversity of political actors in Iraq and the confluence of regional and international policy problems with Iraqi affairs complicate efforts to predict the course of events in Iraq. As U.S. policy and circumstances in Iraq and the region have changed since 2003, the perspectives and policies of Iraq's neighbors have evolved. Looking forward, Iraq's neighbors can be expected to react differently to different scenarios and U.S. policy choices. The following discussion uses a scenario-based framework to illustrate challenges that may confront the United States and Iraq's neighbors during the term of the 110th Congress and beyond.⁵

Continued Insurgency and Disorder? From mid-2003 through early 2006, the foremost concerns of U.S. policymakers and the new Iraqi government were the Sunni-led insurgency against coalition and Iraqi forces, the presence of foreign terrorist operatives in Iraq, and the growth of organized criminal activity such as kidnaping, extortion, and drug trafficking. These problems remain serious and will need to be addressed by U.S., Iraqi, and regional policy makers over the short term. Iran and Turkey have engaged directly with Iraq's Kurdish and Shiite Arab populations, respectively, in order to secure their interests and guard against some of the potentially negative implications of these problems. However, Iran's intervention on behalf of Iraq's Shiites may be contributing to the persistence of Sunni-led resistance activities and Iraq's Kurds remain wary of Turkish intentions.

Relations between Iraq and its Sunni Arab neighbors remain characterized by limited diplomatic engagement, limited investment and trade, and a Sunni Arab general reluctance to embrace the new Iraqi government. In much of the Arab world, governments and citizens remain divided on the question of whether the U.S. military presence in Iraq is an ultimately stabilizing or aggravating factor. Most Arab governments fear a general failure of the new Iraqi government and the prospect of chaos that could leave Iraq's minority Sunni Arab population vulnerable or create

⁵ See Alan Schwartz, *Scenarios for the Insurgency in Iraq*, United States Institute of Peace (USIP), Special Report No. 174, Oct. 2006; and, Neil King Jr. and Greg Jaffe, "Widening War? If Iraq Worsens, Allies See 'Nightmare' Case," *Wall Street Journal*, Jan. 9, 2007.

opportunities for terrorist elements to prosper. Many Arab citizens oppose the continuing U.S. military presence in Iraq, and some view the current Iraqi government as an illegitimate outgrowth of U.S. occupation. Reconciling these differences of opinion is likely to remain difficult and could complicate efforts to secure the cooperation of Iraq's Arab neighbors with new stabilization initiatives.

Sectarian or Ethnic Civil War? In addition to responding to the security threats that have persisted since 2003, U.S. policy makers also are now engaged in efforts to prevent further escalation of sectarian and ethnic violence, which is jeopardizing security goals and preventing the emergence of a stable Iraqi government. The bombing of an important Shiite mosque in the Iraqi city of Al Samarra in February 2006 sparked a cycle of retaliatory sectarian attacks between Sunnis and Shiites that continues, leading many observers to characterize the ongoing violence between rival communities and militias as the beginnings of a civil war.⁶ The further escalation of sectarian violence would likely increase domestic pressure on the governments of Iraq's neighbors to intervene on behalf of members of specific sects or ethnic groups. Wider conflict and outside intervention in turn could exacerbate humanitarian crises inside Iraq and speed the flow of Iraqi refugees to neighboring countries. Members of Congress may be asked to consider U.S. responses to intervention by Iraq's neighbors in any wider sectarian or ethnic conflict.

A Stable Iraq? To many observers, current levels of violence make the prospect of stability and political reconciliation in Iraq appear unlikely in the near future. In considering longer term possibilities for Iraq's stability and unity, the United States and Iraq's neighbors are seeking to determine and influence "which Iraq" will emerge from the current chaotic situation. Faced with the prospect of destabilizing violence in Iraq or terrorist threats from Iraq-based entities, such as Al Qaeda and the Kurdistan Workers' Party (PKK), Iraq's neighbors may welcome the long term consolidation of strong central government control in Iraq as opposed to federal arrangements that leave local security responsibilities in the hands of weaker or less responsive regional governments. On the other hand, some analysts have argued that the "demonstration effect" of a united, democratic Iraq in which Islamist political parties, Shiites, and ethnic minority groups are represented in government and are allowed to participate freely creates political pressure on neighboring countries, where similar parties and groups do not enjoy comparable opportunities.⁷

A stable Iraq, its neighbors, and the United States also will need to reconcile several outstanding differences in order to define the new Iraqi government's role in the region's economic and strategic environment. Long term questions about key issues remain unresolved and could prove to be divisive, such as:

- Iraq's participation in OPEC and the Gulf Cooperation Council;⁸
- Iraq's future ability to project military force beyond its borders;

⁶ The Al Askari Mosque in Al Samarra was bombed on February 22, 2006.

⁷ See Joseph McMillan, "Saudi Arabia and Iraq: Oil, Religion, and an Enduring Rivalry," USIP, Special Report No. 157, January 2006.

⁸ The GCC members are Saudi Arabia, Kuwait, the UAE, Qatar, Bahrain, and Oman.

- the presence in Iraq of U.S. or other military bases or personnel; and
- the new Iraq's sovereign economic, political, and military relations with regional powers such as Iran and Syria and with global powers such as China and Russia.

Iraq's Neighbors: Perspectives and Policies

Official policy statements and independent sources of analysis are available that help to illustrate regional governments' perspectives and policies on Iraq. Nevertheless, there remain inherent limits on the ability of outside observers to fully understand and describe the priorities, perspectives, and policies of foreign governments, particularly on an issue of such fluidity and importance. The influence of broader regional and international issues such as the Arab-Israeli peace process and Iran's nuclear program further complicate analysis. With these limits in mind, the profiles below seek to define the key interests of Iraq's neighbors, review their diplomatic engagement and trade with post-Saddam Iraq, and discuss their perspectives on Iraq's future in light of the issues and scenarios outlined above.

Figure 1. Iraq and its Neighbors



Source: Map Resources. Adapted by CRS. (1/2007).

Iran⁹

Perspectives and Interests. Iran's interests in Iraq reflect its longstanding regional ambitions as well as its desire to affect its ongoing dispute with the United States over nuclear technology development and the Arab-Israeli conflict. Iran views Iraq's majority Shiite Arab population as a potential strategic asset in light of these interests, and thus, Iran's overall goals in Iraq have differed little from the main emphasis of U.S. policy — establishing a democratic process that reflects majority preferences and thereby empowers potential Shiite allies. Iran sees continued control by Iraq's diverse Shiite parties as providing Iran with “strategic depth” and ensuring that Iraq remains pliable and attentive to Iran's interests. However, in 2006, Iran's reputed aid to some Iraqi Shiite parties and their militias has contributed to escalating sectarian violence that is undermining U.S. stabilization efforts and threatening U.S. efforts to strengthen the central government.

Policy Priorities. In the first three years after the fall of Saddam Hussein, Iran's leaders and diplomats worked to persuade all Shiite Islamist factions in Iraq to work together through the U.S.-orchestrated political process, because the number of Shiites in Iraq (roughly 60% of the population) virtually ensures Shiite predominance of government. Iran's strategy bore fruit with victory by a Shiite Islamist bloc (the “United Iraqi Alliance” or UIA) in the two National Assembly elections in 2005. The UIA bloc, which won 128 of the 275 Assembly seats in the December 15, 2005 election, includes Iran's primary Shiite Islamist proteges in Iraq — the Supreme Council for the Islamic Revolution in Iraq (SCIRI) and the Dawa (Islamic Call) party. Also in the UIA bloc is the faction of Moqtada al Sadr, whose ties to Iran are less well developed, largely because Sadr and his family remained in Iraq during Saddam's reign rather than fleeing to Iran or elsewhere. Like his predecessor as Prime Minister, Ibrahim al Jafari, the current Prime Minister Nouri al Maliki is from the Dawa Party. Al Maliki spent most of his exile in Syria. Most SCIRI leaders spent their years of exile in Iran, and the organization is considered to be the most pro-Iranian of Iraq's Shiite political groups.

Over the past year, U.S. and allied officials have emphasized the adverse aspects of Iranian policy — its purported financial and materiel support to the Shiite militias discussed above. On several occasions over the past year, former Secretary of Defense Rumsfeld and senior U.S. and allied military officials and policymakers have asserted that U.S. forces have found Iranian-supplied explosives (reportedly including highly lethal, military grade plastic explosives) in Iraq. These officials did not specify whether the weapons shipments had formal Iranian government approval or for which Iraqi faction(s) they were intended.¹⁰ In September 2006 Commander of U.S. Central Command (CENTCOM) Gen. John Abizaid said the Iran-supported Lebanese Hezbollah organization was conducting training activity in Iran and its

⁹ Prepared by Kenneth Katzman, Specialist in Middle East Affairs. See also CRS Report RS22323, *Iran's Influence in Iraq*.

¹⁰ Rowan Scarborough, “Rumsfeld Says Iran ‘Allowing’ Weapons Into Iraq,” *Washington Times*, Aug. 10, 2005.

members could also be training Iraqi Shiite militiamen, but that “[these linkages are] very, very hard to pin down with precision.”¹¹

In supporting these reported activities, Iran might be seeking to develop a broader range of options in Iraq that include sponsoring sectarian violence to pressure U.S. and British forces to leave Iraq or to deter the United States from action against Iran to curb its purported nuclear ambitions. On the other hand, Iran might not necessarily want to support attacks on U.S. forces because a U.S. departure from Iraq, if that were the result, might leave pro-Iranian factions vulnerable to the well-organized and well-trained Sunni insurgents, many of whom were officers in the former Iraqi military. Shiite militia attacks on Sunni Arab civilians also could produce unrest that would undermine an Iraqi government that is dominated by pro-Iranian factions. Those who take this view tend to believe that Iran is aiding Shiite militias not to instigate attacks on the United States but instead as a means of increasing its influence over the Iraqi Shiite factions that field these forces.

In an effort to limit opportunities for Iran to act against U.S. interests in Iraq, in November 2005 U.S. Ambassador to Iraq Zalmay Khalilzad said that he had received approval from President Bush to begin a dialogue with Iranian officials on the issue of Iraqi stability and Iran’s aid to Shiite militias. On March 17, 2006, Iranian officials publicly accepted talks on Iraq, but Iranian President Mahmoud Ahmadinejad said on April 25, 2006, that there was no need for U.S.-Iran talks because an Iraqi unity government was formed. No such talks have been held, but the issue of talks has revived in the context of recommendations by the Iraq Study Group that the United States open multilateral talks with both Iran and Syria to enlist their assistance in stabilizing Iraq. Other experts believe Iran is neither willing nor necessarily able to assist U.S. policy in Iraq,¹² and, in an interview with journalists on December 14, 2006, U.S. Secretary of State Condoleezza Rice appeared to reject the Study Group recommendation by saying that the United States would not likely bargain with Iran to obtain its assistance in stabilizing Iraq.¹³ Recent U.S. support for the passage of U.N. Security Council sanctions on Iran and the arrest of Iranian Revolutionary Guard officers and other officials by the U.S. military in Baghdad and Irbil could further limit chances of productive U.S.-Iran dialogue on Iraq.

Economic and Diplomatic Relations. At the same time, some aspects of Iran’s civilian cooperation with Iraq do not appear to conflict with U.S. interests. Iran also reportedly has become Iraq’s largest trading partner, and the two now do an estimated \$3 billion per year in bilateral trade.¹⁴ During a defense ministerial exchange in July 2005, the two countries signed military cooperation agreements, as well as agreements to open diplomatic facilities in Basra and Karbala (two major cities in Iraq’s mostly Shiite south) and agreements on new transportation and energy

¹¹ “New Weapons From Iran Turning Up on Mideast Battlefields: Abizaid,” *Agence France Presse*, Sept. 19, 2006.

¹² Kenneth Pollack, “Don’t Count on Iran to Pick Up the Pieces,” *New York Times*, Dec. 8, 2006.

¹³ Glenn Kessler, “Rice Rejects Overture to Iran and Syria,” *Washington Post*, Dec. 15, 2006.

¹⁴ *Azzaman* (Iraq), “Iraq, Iran Set up Free-trade Zone,” Sept. 4, 2006.

links, including oil swaps and possibly future oil pipeline connections. Iran offered Iraq a \$1 billion credit line as well, some of which is to be used to build a new airport near An Najaf. The two are also developing a “free trade zone” at the southern Iraqi city of Basra. In May 2006, Iran upgraded its diplomatic representation in Iraq, naming Hassan Kazemi-Qomi as ambassador.

Potential Responses. Although Iran appears to be benefitting from Iraq’s current political structure, events in Iraq might possibly rebound to Iran’s disadvantage. Should Iraq’s Sunni neighbors intervene on behalf of Iraq’s Sunni Arabs, Iranian leaders might decide to intervene militarily in Iraq to help preserve Shiite domination, particularly if Iran’s Iraqi allies begin to suffer substantial losses that threaten a governmental collapse. Were a secular, strong Arab nationalist leader, whether Sunni or Shiite, to emerge from Iraq’s turmoil, Iran might face a far less pliable Baghdad than it does now. Such a government might serve as an inspiration to Iran’s Arab population (about 3% of the population), which is concentrated in Khuzestan Province (across the border from Basra). Iran has faced some anti-government bombings and other unrest there in 2006, although not necessarily related to events in Iraq. A nationalist government in Iraq might also revive bilateral disputes that existing during Saddam’s rule, such as the border demarcation along the Shatt al Arab waterway, the approximately 150 Iraqi combat aircraft still in Iran that were flown there after the start of the 1991 Gulf war, and the presence in Iraq of operatives of the Mojahedin-e Khalq (MEK/MKO) and the Party for Freedom and Life in Kurdistan.

Even if Iraq is stabilized under leadership similar to that now in power in Iraq, various alternative scenarios might not necessarily be beneficial to Iran. Some analysts believe that Iran’s clerical leadership fears a successful non-cleric-led democracy in Iraq because that outcome would increase pressure for political liberalization in Iran — and maybe for an end to clerical rule there. Others feel that a stable Iraq would help the traditional center of Shiite theology, An Najaf, reassert itself to the detriment of Iran’s holy city of Qom, which benefitted during Saddam’s secular rule in Iraq. On the other hand, Iran’s position might be enhanced if its main ally, SCIRI, succeeds in establishing a large Shiite region in southern Iraq. Such a region would presumably cooperate extensively with Iran on oil, electricity, and road linkages, and facilitate and protect the flow of Iranian pilgrims to the Shiite holy sites at An Najaf and Karbala.

Turkey¹⁵

Perspectives and Interests. Turkey’s bilateral relationship with Iraq since the 1991 Gulf war has been defined by Turkish fears about Kurdish separatism and ambiguity toward the regime of Saddam Hussein and the new Iraqi government. After the 1991 Gulf war, Turkey allowed U.S. and British planes flying from Incirlik Air Base to enforce a no-fly zone over northern Iraq (Operation Provide Comfort/Operation Northern Watch) to protect Iraq’s Kurds from Saddam Hussein and to monitor Iraq’s armed forces. Turkish leaders expressed a number of serious concerns about U.S. regime change plans in the run up to the 2003 invasion, and on

¹⁵ Prepared by Carol Migdalovitz, Specialist in Middle Eastern Affairs.

March 1, 2003, the Turkish parliament refused to authorize the deployment of U.S. forces to Turkey for the purpose of opening a northern front against Iraq.

It is difficult to exaggerate Turkey's current concern about the situation in Iraq and its future. Turkish officials say that they want to see a stable, democratic, and unified Iraq emerge from the current chaotic environment. Foremost, they want Iraq to maintain its territorial integrity and view preventing the creation of ethnic/sectarian states in Iraq as key to regional stability. In addition, Turks care about the Iraqi Turkomen (or Turkmen), their ethnic kin, and about building economic ties with Iraq.

Policy Priorities. The high priority that Turkey puts on Iraq's territorial integrity stems from a desire to thwart the emergence of an independent Iraqi Kurdish state that could serve as a model for separatist Turkish Kurds and a staging site for anti-Turkish terror. From 1984 to 1999, Turkey fought a 15-year war costing more than 30,000 lives against the Kurdistan Workers Party (PKK), mainly in southeast Turkey. Some 4,000 to 5,000 Turkish Kurdish remnants of the PKK, which the U.S. State Department lists as a Foreign Terrorist Organization (FTO), have taken refuge in the Qandil (or Kandil) Mountains of northern Iraq. Turkish authorities blame the PKK and its offshoots for an upsurge of terrorism in Turkey since 2004. Moreover, in 2006, there was a sharp rise in attacks against Turkish troops in southeastern Turkey, resulting in almost 100 deaths. Turkey has sought to have PKK leaders in northern Iraq arrested, camps that shelter the PKK there closed, and PKK offices in the country shut down permanently.¹⁶ Turks have not been satisfied with U.S. explanations that other Iraqi regions and issues have a higher priority or suggestions that other means of tackling the PKK, such as cutting off its financial sources, might be as effective in achieving Turkey's goals.

In the summer of 2006, Turkey built up its military forces on the border with Iraq to signal its impatience over the continuing PKK presence in northern Iraq, leading some observers to suggest that an incursion to attack the PKK was imminent. Yet, given the importance of U.S.-Turkish relations to Ankara, an incursion was probably unlikely and did not occur. The Bush Administration responded to Turkey's action by appointing retired General Joseph Ralston, former Vice Chairman of the Joint Chiefs of Staff and former NATO Supreme Allied Commander Europe (SACEUR), as Special Envoy for Countering the PKK. His mission is to coordinate with the governments of Turkey and Iraq in order to eliminate the terrorist threat of the PKK and other terrorist groups operating across the border. The Turkish government viewed Ralston's appointment positively as an indication of high level U.S. government interest and named retired General Edip Baser, former 2nd Army Commander, to be Ralston's counterpart. Thus far, however, Ralston's consultations with the Iraqi and Turkish governments have not mollified Turkish public opinion, which demands concrete steps: lack of U.S. action against the PKK continues to fuel growing Turkish anti-Americanism.¹⁷

¹⁶ Turkish officials contend that the PKK usually has opened new offices or offices under different front names after closures. Interview with an official of the Turkish Embassy in Washington, D.C. December 8, 2006.

¹⁷ See German Marshall Fund, *Transatlantic Trends 2006*, available at (continued...)

The PKK issue also feeds Turkey's distrust of Iraqi President Jalal Talabani, a Kurd, and Iraqi Kurdish regional president Massoud Barzani.¹⁸ The rhetoric of both leaders regarding Turkey and the PKK often dismays Turkish officials, who refuse to accord Barzani his title or deal with him in that capacity. Barzani, in particular, is believed to shelter and otherwise support the PKK and its leaders.¹⁹

The Iraqi Turkomen, a minority related to the Turks, reside alongside the Kurds in northern Iraq.²⁰ Ankara sympathizes with Turkomen complaints of being displaced and outnumbered by Iraqi Kurds returning to the north, after having been moved out of the region by Saddam. Although the Turkomen issue appeared less acute in Turkey after the Iraqi national elections in which Turkomen turnout was far less than the Turks had expected, it is getting increased attention because both Ankara and the Turkomen are concerned about Kirkuk, a multiethnic city claimed by the Iraqi Kurds situated in the heart of an oil-producing region.²¹ Ankara advocates postponing a referendum scheduled for 2007 on the fate of Kirkuk, fearing that it could prove that the city is now predominantly Kurdish at the expense of Turkomen residents and that the oil resources on which the city sits could be used to finance an independent Iraqi Kurdish state. Turkish officials argue that Kirkuk and Iraq's natural resources must be equitably shared by all the Iraqi people. The Iraqi Kurds want the Kirkuk referendum to proceed. In a January 2007 televised address, Turkish Prime Minister Recep Tayyip Erdogan said, "there are efforts to alter the demographic structure of Kirkuk. We cannot remain a bystander to such developments."²²

Economic and Diplomatic Relations. Turks have taken advantage of economic opportunities offered in post-Saddam Iraq. Despite the chaos there, Turkey earned \$2.7 billion from its exports to Iraq and \$1.5 billion for work on infrastructure

¹⁷ (...continued)

[<http://www.transatlantictrends.org>].

¹⁸ On June 12, 2005, Barzani was named "President of Kurdistan" by the 111-seat Kurdish regional assembly that was elected in January 2005. Articles 63 to 67 of the Iraqi constitution set general rules for the creation of executive authority by regional governments.

¹⁹ See Soner Cagaptay, "The Iraq Study Group Report and the PKK: Dealing with an American Problem," Washington Institute for Near East Policy, *Policy Watch* #1174, Dec. 12, 2006, available at [<http://www.washingtoninstitute.org/templateC05.php?CID=2543>].

²⁰ Before the Iraq war, the Turkish government and Turkomen leaders claimed that there were 3 million Turkomen in Iraq out of a total population of about 25 million. Sources suggest, however, that this number is highly inflated and estimate that Turkomen number about 330,000 and that they have assimilated with other Iraqi groups for years. See Colbert C. Held, *Middle East Patterns: Places, Peoples, and Politics*, Boulder, Colorado, Westview Press, 2000; according to the author, there are about 1.5 million Turkomen in the Middle East, residing in Iraq, Iran, and Turkey.

²¹ The electoral slate of the Iraqi Turkomen Front won 3 seats in the January 2005 Iraqi parliamentary election, but only 1 out of 275 total seats in the December 2005 election in which Sunnis also ran.

²² "Turkish PM warns Iraqi Kurds over Kirkuk," *Reuters*, Jan. 9, 2007.

projects there in 2005.²³ Traffic at the single border gate at Habur is notoriously backed up, with trucks waiting days or weeks to cross. Stability/instability in Iraq will determine whether the Turkish goals of \$10 to \$12 billion in trade for 2007 and \$15 billion for 2008 will be met.²⁴ As a sign of Iraq's importance to Turkey, Ankara has an ambassador in Baghdad, an ambassadorial level Special Representative to Iraq, and an ambassador based in Ankara responsible for reconstruction in Iraq and Afghanistan. The Turkish government has kept its embassy in Baghdad open despite a suicide bombing against it in 2003 and attacks on its diplomats. Turkey also has a consulate in the northern city of Mosul; but the consul has not taken up residence due to the security situation.

Potential Responses. Prime Minister Erdogan has warned that the division of Iraq would inflame a civil war, although he has also said that a civil war is already underway.²⁵ A unilateral declaration of an independent Iraqi Kurdistan might trigger Turkish military intervention as might another sharp spike in terror within Turkey. For now, however, Turkish authorities accept the Iraqi Kurds' claim that independence is not their goal and say that they will respect decisions made by all of the Iraqi people. Ankara has reached out to other Iraqi ethnic groups, encouraging Sunni Arab participation in elections and establishing good relations with Shiite prime ministers in an effort to further Iraqi unity and bilateral relations. In recent years, Turkey also has improved ties with Iran and Syria and consults them regularly about Iraq. Kurdish media and some other reports have alleged that Turkish military forces have operated with Iranians against the PKK in northern Iraq or against Iranian Kurdish groups linked to the PKK, but these reports have not been independently confirmed. Turkey was pleased with the Iraq Study Group's emphasis on reaching out to Iraq's neighbors and believes that its constructive approach will resonate more in a regional format. Turkish officials insist that any multilateral contact groups include all of Iraq's neighbors, meaning Syria and Iran, and that they will not participate unless the others do so.

Saudi Arabia²⁶

Perspectives and Interests. Saudi Arabia's relationship with Iraq has been tense historically, although periods of Saudi-Iraqi cooperation have occurred when supported by convergent interests, most notably during the Iran-Iraq war of the 1980s. Saudi Arabia publicly opposed the U.S.-led invasion of Iraq in 2003, but provided logistical support to U.S. forces,²⁷ and Saudi officials recently called on

²³ Figures from the Foreign Economic Relation Board of Turkey via the U.S. Representative Office of the Turkish Industrialists' and Businessmen's Association, December 2006.

²⁴ "Turkey and Iraq Sign KEK Protocol," *Turkish Daily News*, November 15, 2006.

²⁵ *Anatolia*, BBC Monitoring European, Dec. 5, 2006; and, *The News Hour*, Dec. 19, 2006.

²⁶ Prepared by Christopher M. Blanchard, Analyst in Middle Eastern Affairs.

²⁷ See CRS Report RL33533 for a full discussion of Saudi support for U.S. combat efforts. See also "U.S. And Saudis Agree On Cooperation," *Washington Post*, Feb. 26, 2003; and John Solomon, "Saudis had wider role in war," *Associated Press*, Apr. 26, 2004.

U.S. forces not to leave Iraq on an “uninvited” basis.²⁸ Saudi Arabia’s principle interests with regard to the ongoing conflict in Iraq are — first, to prevent instability and conflict in Iraq from threatening Saudi Arabia’s internal security and stability; second, to prevent the repression of Iraq’s Sunnis by newly dominant Shiites; and, third, to limit the regional influence of a potentially hostile Iran.²⁹ Saudi Arabia’s longer term interests include ensuring that the revival of Iraq’s oil industry does not threaten Saudi preeminence and preferences in global energy markets and that Iraq does not re-emerge as a strategic military threat to the Arab Gulf states.

Policy Priorities. The Saudi Arabian government has refrained from overt political or military intervention in Iraq since 2003, in spite of the threat that instability in Iraq has posed to Saudi Arabia’s national security. To date, Saudi policy initiatives have sought to meet the humanitarian needs of Iraqis displaced by ongoing violence; to promote political and religious reconciliation among Iraqis by hosting and participating in various regional conferences; and, to take preventive security measures to limit the spread of violence into Saudi Arabia. Some analysts believe that Saudi Arabia has not fulfilled pledges of aid to Iraq because it does not want to support an Iraqi government that many Saudis believe has a Shiite sectarian agenda.

The willingness of influential Saudi clerics, wealthy Saudi individuals, and young Saudi citizens to offer rhetorical,³⁰ financial,³¹ or materiel support to various combatants in Iraq remains a persistent challenge. In particular, the phenomenon of Saudis traveling to Iraq to fight alongside other foreign fighters has created a long term security risk: Saudi veterans of conflicts in Afghanistan, Bosnia, Chechnya, and other regions constituted the hard core of the Al Qaeda-affiliated group responsible for the series of successful and attempted terrorist attacks that occurred in the kingdom from late 2002 through early 2006. Estimates of the number of Saudis who have traveled to Iraq to fight remain imprecise and difficult to verify. In November 2006, a U.S. military spokesman stated that of the approximately 1,100 foreign

²⁸ In October 2006, and repeatedly thereafter, then-Saudi Ambassador to the United States Prince Turki al Faisal argued that, “The kingdom’s position has always been that since the United States came into Iraq uninvited, they shouldn’t leave uninvited.” Arshad Mohammed, “Saudi envoy warns US against abrupt Iraq withdrawal,” *Reuters*, Oct. 30, 2006.

²⁹ For the Saudi cabinet’s statement of its key principles for Iraq, see *Saudi Press Agency* (Riyadh), “King Abdullah Chairs Cabinet’s Session,” Nov. 20, 2006.

³⁰ More recently, a group of 38 clerics urged Sunni Arabs in harsh sectarian terms to support Sunni Iraqis against Shiite ascendance and violence. “Saudi Arabian Clerics Issue Statement Backing Iraq’s Sunni Muslims,” Open Source Center (OSC) Document - GMP20061211837002, Dec. 10, 2006.

³¹ Saudi officials generally deny that Saudi citizens provide financial support for Iraqi combatants, and little specific information is publicly available to corroborate claims to the contrary. Nevertheless, a number of press reports citing unnamed U.S. officials allege that such support exists and the Iraq Study Group report (p. 25) stated that, “funding for the Sunni insurgency comes from private individuals within Saudi Arabia and the Gulf States.”

fighters killed or captured in Iraq over the past year, 12% were Saudi nationals.³² To help prevent the return of Saudi volunteers or the flow of other combatants and materiel from Iraq into Saudi Arabia, Saudi officials have strengthened their border control efforts and reportedly are planning to implement a significant border security infrastructure improvement program beginning in 2007.³³

Saudi official and public views of Iraq also reflect concern about the empowerment of Iraq's Shiite Arab population and the growth of Iranian influence in the Persian Gulf region and broader Middle East. During a well publicized speech in New York in September 2005, Saudi Foreign Minister Prince Saud al Faisal commented that "we are handing the whole country [Iraq] over to Iran without reason," and warned of increased Sunni-Shiite violence.³⁴ Recent reports indicate these fears continue to shape Saudi policy debates and may have created disagreements between prominent royal family members (see "Potential Responses," below). The tense relationship between Saudi Arabia's Sunni Arab majority and Shiite Arab minority further compounds the situation: many Saudi Shiites have welcomed the empowerment of Iraq's Shiite Arabs and recognize Iraq-based Shiite clerics as their religious leaders; in turn, many conservative Sunni Saudis regard the Shiite minority as religiously aberrant and potentially politically disloyal.³⁵

Economic and Diplomatic Relations. Sectarian and strategic anxieties complicate Saudi efforts to engage the Shiite-led Iraqi government, to establish strong trade links, and to discourage and prevent Saudi clerics and individuals from supporting Sunni Arab combatants in Iraq. Saudi leaders maintain regular contact with prominent Iraqi government officials, clerics, and political figures, although Saudi Arabia has not named an ambassador to Iraq. The Saudi government has pledged \$500 million from the Saudi Development Fund to sponsor Iraqi government-requested development projects, along with \$500 million to finance potential bilateral trade and close to \$90 million in humanitarian relief assistance.³⁶

³² In a February 13, 2006, interview, Prince Turki al Faisal said that as of mid-2005 approximately 10% of captured foreign fighters held in Iraq were Saudis. See Mark Huband and William Wallis, "Saudi Arabia Fears Attacks from Insurgents Battle-hardened in Iraq," *Financial Times* (London), Dec. 20, 2004; "U.S. Faults Saudi Efforts on Terrorism," *Los Angeles Times*, Jan. 15, 2006; and, Remarks by Major General William Caldwell, Spokesman, Multinational Force-Iraq, Defense Department News Briefing, Nov. 20, 2006.

³³ According to press reports, Saudi Arabia is considering plans to construct a high-tech system of fences and detection systems along its entire 900 kilometer border with Iraq, but some Saudi officials have stated that the structures will be targeted to certain key areas rather than stretching along the entire border. The Saudi government claims to have spent \$1.8 billion on strengthening the border with Iraq since 2004. See P.K. Abdul Ghafour, "Work on Iraq Border Fence Starts in 2007," *Arab News*, Nov. 15, 2006 ; and, Raid Qusti, "Kingdom Denies Plans to Build Fence on Border With Iraq," *Arab News*, Nov. 20, 2006.

³⁴ *Reuters*, "Saudi Says U.S. Policy Handing Iraq over to Iran," Sept. 20, 2005.

³⁵ See International Crisis Group, *The Shiite Question in Saudi Arabia*, Middle East Report No. 45, Sept. 19, 2005; and, John Solomon, "Saudi Arabia's Shiites and their Effect on the Kingdom's Stability," *Terrorism Monitor*, Volume 4, Issue 15, Jul. 27, 2006.

³⁶ Statement of Foreign Minister Prince Saud al Faisal to United Nations meeting on Iraq, (continued...)

However, since 2003, trade between Iraq and Saudi Arabia has remained very limited. According to the Saudi Ministry of Commerce and Industry, the total value of Iraqi-Saudi trade in 2005 was equal to \$5.32 million.³⁷

Debt forgiveness remains a key outstanding issue in Iraqi-Saudi relations. As of January 2004, Iraq reportedly owed the Saudi government \$9 billion for debt incurred under the Saddam Hussein regime (mostly during the Iran-Iraq war of the 1980s), while private Saudi firms and banks hold about \$19 billion in Iraqi debt.³⁸ Questions have been raised about whether Iraq's debt to Saudi Arabia should be subject to interest payments, and both parties have agreed to discuss the matter further. U.S. officials have encouraged Saudi Arabia and Kuwait to forgive Iraq's outstanding debt to support Iraqi reconstruction and economic recovery efforts, and the Iraq Study Group report speculated that Saudi Arabia could agree to cancel the outstanding debt as part of a regional effort to support and stabilize Iraq.³⁹

Potential Responses. The Saudi Arabian government's restraint from overt involvement in the Iraq conflict stands in contrast to the reported pattern of private Saudi support for anti-coalition and anti-Iraqi government activity. In the face of continued Sunni Arab-led insurgency in Iraq, the Saudi regime is likely to continue to refrain from providing direct support for insurgent forces in order to avoid confrontation with the United States and out of fear that the collapse of Iraq's government could strengthen Iraq-based transnational terrorist elements hostile to the Al Saud family. However, the escalation of sectarian violence in Iraq since February 2006 and more assertive Iranian foreign policies appear to be undermining domestic support for this policy of restraint among Saudis. Influential figures and religious scholars in Saudi Arabia are now calling for their government and fellow citizens to provide direct political and security assistance to Iraq's Sunni Arab community and to confront what they perceive as Iranian-led Shiite ascendance in the region.

One prominent example of this trend appeared in a dramatically-worded opinion published in the *Washington Post* on November 29, 2006.⁴⁰ The author, Nawaf Obaid, is a well known Saudi security analyst and was then a consultant to the Saudi government. The editorial created an instant debate about Saudi Arabia's intentions toward Iraq, in spite of an attached disclaimer indicating that its conclusions did not represent Saudi policy. Its conclusion drew particular attention:

³⁶ (...continued)

Sept. 18, 2006. Available at [<http://www.mofa.gov.sa/Detail.asp?InNewsItemID=55259>].

³⁷ Source: Kingdom of Saudi Arabia - Ministry of Commerce and Industry; and, International Monetary Fund Direction of Trade Statistics Quarterly, June 2006.

³⁸ For more information, see CRS Report RL33376 - *Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief*; and, Tom Everett-Heath, "Opposing Views of the Kingdom to Come," *Middle East Economic Digest*, Jan. 23-29, 2004, p. 1.

³⁹ Mariam Karouny and Alister Bull, "Iraq Finance Minister Says Still no Deal on Gulf Debt, Reuters, Aug. 1, 2006; and Iraq Study Group Report, p. 35.

⁴⁰ Nawaf Obaid, "Stepping Into Iraq: Saudi Arabia Will Protect Sunnis if the U.S. Leaves," *Washington Post*, Nov. 29, 2006.

To turn a blind eye to the massacre of Iraqi Sunnis would be to abandon the principles upon which the kingdom [of Saudi Arabia] was founded. It would undermine Saudi Arabia's credibility in the Sunni world and would be a capitulation to Iran's militarist actions in the region. To be sure, Saudi engagement in Iraq carries great risks — it could spark a regional war. So be it: The consequences of inaction are far worse.

Although Saudi officials have repeatedly denied that the editorial represents Saudi policy and severed Obaid's advisory relationship with the Saudi embassy in Washington, many U.S. observers have interpreted the episode (including Prince Turki's subsequent resignation as ambassador and reports of visits to Washington by former ambassador Prince Bandar bin Sultan) as an indication of impatience and disagreement among elements of the Saudi national security establishment over the kingdom's Iraq and Iran policies.⁴¹ Others have speculated that the editorial was part of an orchestrated series of warnings that an end to the Saudi policy of restraint could be forthcoming: Saudi and U.S. officials denied press reports that such a warning was given to Vice President Cheney in private during his November 2006 trip to Riyadh.

Similar views have been evident in Saudi religious circles since 2003, where a number of Saudi clerics have encouraged support for insurgents and Iraq's Sunni Arab minority. In December 2006, leading cleric Salman al Awdah called "honest resistance [in Iraq] ... one of the legitimate types of *jihad*," and an October 2006 petition signed by 38 prominent religious figures called on Sunnis everywhere to oppose a joint "crusader [U.S.], Safavid [Iranian] and Rafidi [Shiite] scheme" to target Iraq's Sunni Arab population.⁴² Anti-Shiite sectarian rhetoric has been a consistent feature of statements on Iraq from other Saudi clerics, including Nasser al Omar and Safar al Hawali.⁴³ Confrontation with these religious figures over their remarks and activities poses political challenges for the Saudi government, since some of them, such as Al Awdah and Al Hawali, have supported government efforts to de-legitimize terrorism inside the kingdom and have sponsored or participated in efforts to religiously re-educate former Saudi combatants.

Reconciliation and long term stability in Iraq could ease Saudi fears of creeping instability, but could also create new challenges. Saudi Arabia's immediate concern in a post-conflict environment would be the reintegration or elimination of returning Saudi militants. The outcome of reconciliation or conflict in Iraq and the leadership

⁴¹ Prince Saud al Faisal sought to reinforce this message in mid-December, stating, "Since the start of the crisis in Iraq ... the Kingdom has said it will stand at an equal distance from all Iraqi groups and does not describe itself as the guardian of any group or sect." *Arab News* (Jeddah), "Kingdom Won't Take Sides in Iraq, Says Saud," Dec. 20, 2006; and Robin Wright, "Royal Intrigue, Unpaid Bills Preceded Saudi Ambassador's Exit," *Washington Post*, Dec. 23, 2006.

⁴² Al Awdah's comments were made at the "Conference for Supporting the Iraqi People" in Ankara, Turkey. OSC Document - GMP20061211837002, Dec. 10, 2006.

⁴³ Both clerics signed the October 2006 statement. Al Awdah did not: he has been outspoken in his criticism of Iranian intervention in Iraq, but has spoken out against Sunni-Shiite conflict on his website: [<http://www.islamtoday.net/>]. See "Saudi Shaykh Al-Awdah Warns of Sectarian War in Iraq, Holds US Responsible," OSC Document - GMP20061107866002, Nov. 5, 2006.

and character of Iraq's government will determine whether Saudi fears about the empowerment of Shiite Arabs and the growth of Iranian influence persist or diminish. Future Iraqi choices in key areas such as energy and military policy will have important implications for Iraqi-Saudi relations over the long term.⁴⁴

Syria⁴⁵

Perspectives and Interests. For many years, Syria and Iraq had an uneven and often troubled relationship, stemming from political disputes, border tensions, demographic differences, and personal animosity between the two countries' late leaders: Syrian President Hafiz al Asad and Iraqi President Saddam Hussein. Moreover, the two countries were governed by rival wings of the pan-Arab Baath Party. In the late 1990s bilateral relations improved markedly, primarily in the economic sphere. Syria opposed the U.S. decision to launch Operation Iraqi Freedom which overthrew the regime of Saddam Hussein. Since then, the United States has accused Syria of instigating or allowing the transfer of weaponry through Syria to Iraq and permitting foreign fighters to transit Syria to Iraq to join the anti-U.S. insurgency. Syria also is accused of harboring Baathist ex-regime officials. Syrian officials maintain that, despite their efforts, they have found it difficult to secure the porous 375-mile Syrian-Iraqi border and say they have increased border patrols and barriers to block border crossings. As of the end of 2006, Syria seemed to be walking a somewhat delicate path in handling its relations with Iraq; on the one hand, Syria has reestablished diplomatic relations with Iraq for the first time since the early 1980s, while on the other hand, it has maintained relationships with a variety of groups seeking to disrupt U.S. attempts at Iraqi institution building.

Policy Priorities. These apparent inconsistencies may reflect to some degree Syria's ambivalent views of Iraq and the U.S.-supported Iraqi regime. The Syrian regime sees Iraq as an important neighboring state with which it shares many affinities but which it regards as a potential threat and a rival for leadership in the Arab world. Syrian concerns over Iraq are heightened by the ethnic-sectarian divisions which dominate both societies. More than 70% of Syria's population is Sunni Muslim; however, the country is governed by the minority Alawite sect which comprises some 12% of the population and is primarily committed to maintaining its grip on power. Syria has virtually no Shiite Muslims,⁴⁶ although like Iraq it has a Kurdish minority. Syria's Alawite leadership does not necessarily have a favorite among Iraq's Sunnis, Shiites, and Kurds, but is anxious that Iraq's leadership be amenable to Syrian regional goals. Also, given Syria's long-standing reliance on Iran for regional political support, Syrian leaders are likely to accept and support a degree of Iranian influence over the already Shiite dominated Iraqi government, especially

⁴⁴ With regard to oil policy, there is a possibility, in the words of one analyst, that over the long term, "the Saudi interest in moderate prices and preserving market share will run afoul of the Iraqi need for maximum production at high prices to fund national reconstruction." See Joseph McMillan, *Saudi Arabia and Iraq: Oil, Religion, and an Enduring Rivalry*, USIP, Special Report No. 157, January 2006, p. 14.

⁴⁵ Prepared by Alfred B. Prados, Specialist in Middle Eastern Affairs.

⁴⁶ Some Middle East scholars believe the Alawite community is an offshoot of Shiite Islam. See, for example, Colbert C. Held, *Middle East Patterns*, Westview Press, pp. 98-100.

given parallel Syrian and Iranian goals in Lebanon. By the same token, Syria is inclined to support the goals of the radical Lebanese Shiite fundamentalist organization Hezbollah not only in Lebanon but in Iraq as well.

Economic and Diplomatic Relations. Economic relations between Syria and Iraq are built on a variety of largely unofficial contacts, including illicit trade, smuggling, and influx of refugees. A partial rapprochement between the two countries began in the late 1990s with the resumption of oil shipments on the order of 200,000 barrels per day from Iraq to Syria; these shipments were halted by allied coalition forces after the overthrow of Saddam Hussein in April 2003, but commercial ties continued in other sectors, particularly through traditional barter and low level trade between tribal groups straddling the Syrian-Iraqi border. In 2005, Iraq's imports from Syria were worth \$2.987 billion and Iraq's exports to Syria were worth \$500 million.⁴⁷

In a related vein, the large-scale disruption of the Iraqi economy and mounting security threats following the overthrow of Saddam Hussein have created a new dimension to Syrian-Iraqi economic relations in the form of a mass movement of Iraqi refugees seeking to escape privation and insecurity, particularly to Syria and Jordan. Syrian officials reportedly estimate that as many as a million Iraqi refugees have settled at least temporarily in the Damascus suburbs, changing the character of entire neighborhoods and creating strains on the Syrian domestic economy in the form of rising rents, housing demands, and impending water and electricity shortages.⁴⁸ So far, Syrian authorities have kept an open door policy regarding these new arrivals; however, there are increasing concerns that the ethnic/sectarian and political factional disputes among Iraqis could be transferred to the Iraqi refugee communities in Syria.

Potential Responses. The development of future Syrian policy toward Iraq depends on a number of complex variables, including the stability and orientation of the Syrian regime itself and the course of events in Iraq. Syrian goals in Iraq are in some ways obscure, and there are significant differences among outside observers over what the present Syrian regime is seeking and what type of outcome a future Syrian regime might want to see. Some commentators believe that neither Syria nor Iran want to see Iraq fragment along the lines of Lebanon during its 15-year civil war, with Sunnis and Shiites locked in continued and apparently open-ended fighting. Others counter that Syria seems inclined to continue fomenting strife in Iraq in an effort to tie down U.S. resources, while gaining a free hand to recoup ground it lost in Lebanon over the past two years.⁴⁹ However, Syria's ability to affect the balance of power in the region is constrained by its limited military capabilities, which are adequate to maintain internal security but suffer from poor training and obsolescent

⁴⁷ International Monetary Fund Direction of Trade Statistics Yearbook 2006.

⁴⁸ Hassan M. Fattah, "Uneasy Exiles Await Those Who Flee the Chaos in Iraq," *New York Times*, Dec. 8, 2006; Chris Morris, "Iraq violence sparks exodus to Syria," *BBC News*, Dec. 13, 2006. In its *Background Note: Syria*, updated in October 2006, the U.S. State Department cites a much smaller figure of 100,000 Iraqi refugees in Syria.

⁴⁹ For further discussion, see Evan Thomas, "So Now What, Mr. President," *Newsweek*, Dec. 11, 2006, pp. 36-37.

equipment. There is also a possibility that significant differences over Iraq exist within the Syrian policy-making community and that the young and relatively inexperienced Syrian president, Dr. Bashar al Asad, is vacillating among various policy options, giving the impression of a contradictory approach to Syria's Iraq policy. A drastic change in the regime governing Syria could have significant effects on Syria's view of Iraq and the policies it might adopt toward the Iraqi leadership.

The emergence of alternative scenarios in Baghdad may precipitate a range of responses by Syrian leaders. Prolonging the current situation in Iraq, while possibly welcomed by Syrians seeking to disrupt U.S. regional plans, might also keep Syria off balance and complicate its efforts to adopt a consistent policy toward Iraq. Syria, working through Iran, may follow equivocal policies, trying to exert control over Iraqi groups who share Syria's predisposition to reject U.S. policy lines while avoiding serious provocation of the United States. In particular, Syria is likely to make only limited efforts to control its border with Iraq, arguing that the volume of Iraqi refugees entering and residing in Syria makes it unrealistic for Syria to curtail the movement of people across the border.

As noted above, there are divergent views among U.S. commentators regarding whether Syria would best be served by disorder or stability in Iraq. Should Iraq slide into full-fledged civil war, however, Syria would face intricate decisions. Foremost among these would be whether to support the Sunni-led insurgency or to support more extremist elements of the Shiite militia, particularly strongly pro-Iranian groups and militants such as the hard line Shiite leader Muqtada al Sadr. An attempt by Syria to cultivate both Sunnis and Shiites would be difficult and could jeopardize the pre-eminent position of President Bashar al Asad's Alawite sect within Syria. Another complication would be the question of dealing with Syria's Sunni-based Muslim Brotherhood, a fundamentalist organization that has been outlawed by the secular Syrian regime for over 25 years but retains a following among some segments of the Syrian population and elsewhere in the region.

Should Iraq stabilize, an Iraqi regime that appeared to be making progress toward containing the insurgency and establishing a measure of control over much of Iraq would confront Syria with its most intricate challenge of all. On one hand, a move toward stability in Iraq could deprive the Syrian regime of an important lever in dealing with the United States on Lebanon and other issues; however, given President Asad's periodic espousal of stability in Iraq it would be difficult for him to appear to reject this goal.⁵⁰ Under any or all of these scenarios, Recommendations 9 and 12 of the Iraq Study Group report might be relevant. The two recommendations call, variously, for engagement with Syria to enlist its support for constructive policies in Iraq and the region, to encourage Syria to control its border with Iraq, to establish hot lines between Syria and Iraq, and to increase bilateral political and economic cooperation. Critics of the Iraq Study Group recommendations argue that the concessions necessary to convince Syria to adopt a more cooperative strategy remain undefined and could prove too costly in light of other U.S. interests.

⁵⁰ See recent comments by Asad in the Beirut newspaper *The Daily Star*, Dec. 18, 2006.

Jordan⁵¹

Perspectives and Interests. Jordan's relations with Iraq during the Saddam Hussein era were strong. In 2003, Jordan publicly opposed military action against Iraq, but it informally and quietly provided logistical support to the U.S.-led campaign to oust Saddam Hussein. Since 2003, Jordanians have repeatedly criticized what they perceive to be the political marginalization of Iraq's Sunni Arab population. Unlike Iraq's other neighbors, Jordan has a limited ability to intervene in Iraq's affairs at present, and, since 2003, Jordanian leaders have been far more concerned with Iraq's influence on the kingdom's own politics, trade, and internal security. The Jordanian government's principal interests with regard to Iraq include managing Jordanian Islamist opposition movements in light of the empowerment of Islamist groups in Iraq; preventing the creation of safe-havens for terrorists in western Iraq that could threaten Jordan's internal security; and limiting the growth of Iran's regional influence as a means of preventing the development of serious strategic threat to Jordan.

Looking forward, Jordan would prefer the emergence of a stable Iraq under Sunni Arab control. As this scenario appears unlikely given current circumstances, Jordan seems committed both to supporting the continued presence of U.S. troops in Iraq and the fledgling Iraqi government so long as the latter makes an effort to reintegrate Sunni Arab Iraqis into the military and government and does not become a vehicle for destabilizing Iranian initiatives. Over the long term, the Jordanian government has serious concerns regarding Iraq's future and the potential deleterious consequences that may arise from wider sectarian warfare within Iraq.

Policy Priorities. Although Jordan always has been dependent on foreign patrons, King Abdullah has brought Jordanian policy closer to that of the United States since his ascension to the throne in 1999 than at any previous point in the kingdom's history. Since mid-2003, Jordan has made modest contributions to Iraq's stability that have been widely interpreted as symbolic attempts to cooperate with U.S. rebuilding efforts and to minimize the negative consequences for Jordan of instability in Iraq. The centerpiece of Jordan's stabilization efforts remains the Jordan International Police Training Center (JIPTC) located outside of the capital city of Amman, which has prepared more than 30,000 Iraqi cadets since 2003 with the support of approximately \$100 million in annual U.S. funding. According to allied coalition officials, Jordan also has donated military and police equipment to support the new Iraqi security forces.⁵²

While the pursuit of these policies has brought tangible benefits to Jordan, such as increased U.S. trade and foreign assistance, Jordan's close ties to the United States make it an easy target for the king's opponents, especially Jordanian Islamists who are largely opposed to U.S. policy in the region. Some Jordanians fear that, like the 2006 Hamas victory in Palestinian Authority elections, the political participation of

⁵¹ Prepared by Jeremy M. Sharp, Analyst in Middle Eastern Affairs.

⁵² Jordanian supplied equipment reportedly includes 250 Ukrainian-built BTR-94 armored personnel carriers (APCs), 100 British Spartan APCs, and U.S. M113A1 APCs, along with 2 C-130BHercules transport aircraft and 16 UH-1H utility helicopters.

Islamist parties in Iraq is accelerating a growing pattern of Islamist political ascendance in the Arab and Muslim worlds. Although many believe that Arab regimes deliberately stoke Western fears of a growing Islamist radicalism to justify the repression of domestic opposition, the potential for Jordanian groups to emulate Iraqi Islamists cannot be wholly dismissed and is viewed with great consternation by Jordan's royal family and its allies.

Potential threats from transnational terrorism and increased Iranian influence also dominate Jordan's Iraq policy agenda. Despite the killing of Jordanian terrorist mastermind Abu Musab al Zarqawi in June 2006 by U.S. and Iraqi forces (reportedly with assistance from Jordanian intelligence), the threat of Al Qaeda-affiliated or inspired terrorists using Iraq's predominately Sunni Al Anbar Province as a launching pad to destabilize Jordan remains high. On November 9, 2005, near simultaneous explosions at three Western-owned hotels in Amman killed 58 persons and seriously wounded approximately 100 others. Al Qaeda in Iraq claimed responsibility for the attacks. In December 2006, Jordan and Iraq signed an agreement to coordinate intelligence on Al Qaeda and other terrorist groups. Overall, Jordanian Islamists have stressed their loyalty to the monarchy in the face of the terrorist threat, although four Islamist parliamentarians were arrested in the summer of 2006 for praising Al Zarqawi by calling him a "martyr."

In 2004, King Abdullah warned that Iran was seeking to create "a Shiite crescent" in the Middle East, which alarms not only Jordan, but its oil-rich Sunni-led Gulf allies upon whom it relies for political and financial support. Iran's ability to further inflame the Israeli-Palestinian conflict through the use of radical proxy groups, such as the Lebanese Shiite Hezbollah organization and the Palestinian Hamas and Islamic Jihad groups, could have potentially adverse effects on Jordan's security, a fact also recognized by Jordan's Sunni Islamists.⁵³

Economic and Diplomatic Relations. International efforts to rebuild Iraq have reverberated throughout various sectors of Jordan's economy. Since 2003, many observers have dubbed Jordan as the "gateway to Iraq," as thousands of contractors, businessmen, and foreign officials have used Jordan as a base for their Iraq operations.⁵⁴ Iraqi-Jordanian trade has yet to return to pre-2003 levels, but has recovered since 2003, reaching an estimated \$834 million in total trade in 2005.⁵⁵

⁵³ In one recent press release, Hamzah Mansur, a leader of Jordan's main Islamist party, the Islamic Action Front (IAF), warned Iran to cease provoking sectarianism in Iraq, stating, "If Iran's involvement in the bloodshed in Iraq is ascertained, then the Islamic movements will find themselves forced to reconsider their stand on Iran since its involvement in sectarian sedition would lead to serious consequences across the Islamic world." See, "Jordan: IAF Calls on Iranian President To End Sectarian Sedition in Iraq," *Al Arab Al Yawm*, OSC Document - GMP20061208641001, Dec. 8, 2006.

⁵⁴ See Scott Lasensky, *Jordan and Iraq: Between Cooperation and Crisis*, USIP, Special Report No. 178, Nov. 2006.

⁵⁵ Total trade is equal to exports plus imports. Iraq imports from Jordan during 2005 totaled \$809 million, whereas Iraq exports totaled \$25 million. In 2002, Iraq's exports to Jordan were worth \$684 million and imports from Jordan were worth \$664 million. Source:

(continued...)

Iraqis have perceived Jordan as an escape from violence, as some foreign officials estimate that 700,000 to 1 million Iraqis have fled to Jordan over the last three years. For a small, poor country such as Jordan, this population influx is creating profound changes in Jordan's economy and society. Jordan's banking and real estate sectors are soaring with the increased demand for housing and the influx of capital from middle class expatriate Iraqis. On the other hand, inflation is rapidly rising,⁵⁶ and there have been anecdotal reports of increased tension between Jordanian citizens and Iraqi refugees due to the strains placed on social services by a near 20% increase in the country's population in a short period of time.⁵⁷ At this time, it is unclear whether displaced Iraqis will become a permanent fixture in Jordan or will return to Iraq if or when violence subsides.

In August 2006, Jordanian diplomat Ahmed al Lozi became the first accredited Arab ambassador to serve in Iraq since the 2003 U.S. invasion. Iraq reciprocated by announcing shortly thereafter its intention to re-establish direct oil shipments to oil-deprived Jordan at preferential market prices.⁵⁸ Some of Iraq's new Shiite leaders view with suspicion Jordan's former close ties to the Saddam Hussein regime and continuing strong relations with Iraq's Sunni Arabs. Frictions between Jordan and Iraq continue over the future status of Saddam Hussein's relatives and former Baath Party officials residing in Jordan as guests of the government.⁵⁹ Jordan has hosted and facilitated meetings between U.S. officials and Iraqi leaders aimed at resolving these and other political disputes, including the highly publicized summit in Amman between President Bush and Iraqi Prime Minister Nouri al Maliki in December 2006. Recent reports also suggest that Jordan has facilitated meetings between members of the Sunni Arab-led insurgency and U.S. representatives at the Iraqi Embassy in Amman.⁶⁰

⁵⁵ (...continued)

International Monetary Fund, Direction of Trade Statistics Yearbook, 2006.

⁵⁶ One foreign official noted that, "The impression of many Jordanians is that the Iraqis here are all wealthy ... and that they are the cause of the inflation and the rising cost of prices in Jordan." See "Iraqi Refugees Spill into Jordan, Driving Up Prices," *Christian Science Monitor*, Nov. 29, 2006.

⁵⁷ One report noted that Iraqi Shiite refugees in Jordan feel they are being unfairly targeted by police out of fear that Iraqi Shiite militias are trying to organize in Jordan. See, "Uneasy Havens Await Those Who Flee Iraq," *New York Times*, Dec. 8, 2006.

⁵⁸ Reportedly, Jordan will receive approximately 10,000-30,000 barrels of oil per day (roughly 10%-30% of their daily consumption) from Iraq, at a price of \$10 per barrel. This quantity would increase to 50,000 barrels at a later stage, based on the memorandum of understanding signed between the two countries.

⁵⁹ King Abdullah granted Saddam's eldest daughter, Raghdad, and her sister, Rana, asylum on humanitarian grounds after the start of U.S. military operations in 2003. The Iraqi government has placed Raghdad on a list of its 41 most wanted persons and demanded that Raghdad be extradited to Iraq to stand trial. Iraqi officials have alleged that members of Saddam Hussein's family and inner circle currently in Jordan are providing financial and media support to the insurgency in Iraq in an effort to revitalize the Baath Party in Iraq.

⁶⁰ According to Saad al Hayani, Iraq's Ambassador to Jordan, "Two large meetings (continued...)"

Potential Responses. As a country with a limited ability to project political or military power in Iraq, it is doubtful that Jordan alone could bring about a compromise solution to Iraq's sectarian violence and insurgency. Nevertheless, should the Administration heed the main recommendations of the Iraq Study Group report and pursue an all out push for Iraqi national reconciliation, Jordan could be useful in serving as one of several symbolic bridges to Iraq's Sunni community. The ISG report argues that Jordan has the professional capability to train and equip Iraqi military and security forces, and Iraqi-Jordanian tribal ties may facilitate this process should more Sunni Iraqis join Iraq's army.

Under the more grave scenario of a nationwide civil war that draws Iraq's neighbors into the ongoing conflict, it is extremely unlikely that the Jordanian government would provide support to Sunni militias with possible ties to Al Qaeda. On the other hand, it is plausible that Jordan, along with neighboring Saudi Arabia and other states, could provide financing and materiel support to other elements of Iraq's Sunni Arab population, including tribally-led and -organized groups or, more controversially, to Iraqis formerly associated with the military, intelligence, or security services of the Saddam Hussein regime. In the event of continuing or widened conflict in Iraq, Jordan also could move to seal its border with Iraq or establish a security zone inside western Iraq in order to insulate itself from any spillover of violence or destabilizing refugee flows.

Other Regional Governments

The Gulf States⁶¹

Prior to the U.S. intervention in Iraq, the Sunni Arab-led governments of the Gulf Cooperation Council had predicted that removing the Saddam Hussein regime would not necessarily produce stability in Iraq, and several were reluctant to support U.S. military operations. For the most part, Gulf leaders publicly indicated that they would only support a U.S. attack if such action were authorized by the United Nations and had broad international support. Two of the Gulf states, Kuwait and Qatar, were more openly supportive of U.S. plans.⁶²

⁶⁰ (...continued)

happened here in the embassy.... They included leaders from the last government, the Baathists, and the old Army. They were offered the opportunity to participate in the political situation if their hands were clean. The meetings were successful and necessary and beneficial." See "Quiet U.S. Bid to Talk to Iraqi Insurgents," *Christian Science Monitor*, Dec. 7, 2006.

⁶¹ Prepared by Christopher M. Blanchard, Analyst in Middle Eastern Affairs, and Kenneth Katzman, Specialist in Middle Eastern Affairs.

⁶² Both governments hosted buildups of U.S. forces and equipment that were used in the offensive against Iraq. Kuwait, which wanted to see its former invader, Saddam Hussein, overthrown, hosted the bulk of the personnel and equipment used in the ground assault.

The fall of the Saddam Hussein regime initially generated a sense of relief by removing the principal conventional threat to the Gulf states' security. However, instability and violence in Iraq, coupled with Arab perceptions of an emboldened and potentially hostile Iran, have created new shared fears among Gulf leaders. Specifically, Gulf leaders fear that escalating sectarian violence in Iraq could draw in Iraq's neighbors and bring them into conflict with Iran. The rise of Shiite Islamist factions in post-Saddam Iraq has compounded these threat perceptions. Several of the Gulf states have substantial Shiite populations but most Gulf Shiite communities consider themselves to be under-represented in government and to lack key economic opportunities. Gulf governments also generally believe that parts of Iraq could become a safe-haven for terrorists if the Iraqi government were to collapse or the United States were to withdraw militarily from Iraq. In response to these and other concerns, the Gulf states and the United States have renewed security discussions under the framework of so-called "GCC plus two" (GCC plus Egypt and Jordan) consultations and a new Gulf Security Initiative, which may generate U.S. arms sale requests in 2007.⁶³ On January 10, President Bush announced plans to deploy an additional aircraft carrier strike group and Patriot air defense systems to the Middle East and to expand intelligence-sharing with U.S. allies.

Egypt⁶⁴

Iraq is not Egypt's highest foreign policy priority in the Middle East, but Iraq's stability and unity greatly affect Egypt's position as a regional power. Egypt identifies itself as part of the "moderate" bloc of Sunni Arab governments which are partially aligned with U.S. interests in the region (e.g., peace with Israel, regional stability) and opposed to Iran and its regional ambitions. Iranian foreign policy runs counter to Egyptian interests in the Middle East in that Iran has provided support to terrorist groups seeking to disrupt the Israeli-Palestinian peace process. From an ideological standpoint, radical Sunni Islamists in Egypt have seized upon the Iranian revolution as a model in their own attempts to overthrow the secular Mubarak regime. Thus, for Egypt, Iraq is a battleground of sorts in which Iranian influence must be checked. In an April 2006 interview with *Al Arabiya* television, President Hosni Mubarak accused Shiites in Iraq and elsewhere of being loyal to Iran, remarking that, "there are Shiites in all these countries of the region, significant percentages, and Shiites are mostly always loyal to Iran and not the countries where they live.... Naturally Iran has an influence over Shiites who make up 65 percent of Iraq's population."

The Egyptian public's opposition to the Iraq war precluded the government from publicly supporting the United States. Nevertheless, Egypt expedited the passage of U.S. warships through the Suez Canal prior to (and during) Operation Iraqi Freedom in 2003, allowed U.S. overflights en route to the Persian Gulf, and has provided some training for Iraq's security forces in Egypt. Egypt's envoy to Iraq, who was expected to become the first ambassador to Iraq named by an Arab government, was kidnapped

⁶³ *Inside the Pentagon*, "New Persian Gulf Security Effort Expected to Fuel Arms Sales in FY-07," Nov. 9, 2006; and, *Inside the Navy*, "State Department Promotes New Persian Gulf Security Architecture," Nov. 27, 2006

⁶⁴ Prepared by Jeremy M. Sharp, Analyst in Middle Eastern Affairs.

and murdered in July 2005. Significant numbers of Egyptians have traveled to Iraq to fight U.S. and Iraqi forces, raising concern about their eventual return to Egypt.⁶⁵ Should the situation in Iraq spiral out of control and sectarian violence attract outside intervention, Egypt could extend some support to anti-Iranian elements in Iraq. However, in all likelihood, Egypt would remain mainly on the sidelines, but support the policies of Arab Gulf states such as Saudi Arabia which have a more direct stake in Iraq's stability.

Israel⁶⁶

On November 22, 2006, Israeli Prime Minister Ehud Olmert claimed, "Iraq without Saddam Hussein is so much better for the security and safety of the State of Israel," and praised President Bush for his leadership.⁶⁷ Olmert later added that the removal of Saddam was a "major, major contribution to stability in our part of the world."⁶⁸ Yet, Israeli officials had not viewed Iraq as a great threat after the first Gulf war and have been skeptical about the U.S. goal of bringing democracy to the region via the second war. Now, many in Israel are very concerned about the possible emergence of an arc of Shiite enemies of Israel, to include Iran, a Shiite-led Iraq, Alawite-led Syria, and a Hezbollah-dominated Lebanon. To interrupt this geographical/ideological/sectarian formation, some maintain that a permanently weak Iraq would be in Israel's interest. In addition, Israel is said to want access to northern Iraq in order to spy on Iran, its number one threat. Decentralization or partition of Iraq might help accomplish these goals, and there have been repeated reports that Israelis are training the Iraqi Kurdish militia (*peshmerga*) and that Israelis of Kurdish origin have been establishing economic ties in northern Iraq. Iraqi Kurdish leaders have denied these reports.⁶⁹

Olmert disagrees strongly with the conclusions of the Iraq Study Group that the Israeli-Arab peace process is linked to achieving a positive outcome in Iraq. Israel has long preferred to negotiate separately with each of its Arab neighbors because its strength is greater one-on-one than against a bloc. If Israel has to negotiate with a combined group of its neighbors, then it might not be as likely to achieve its goals. Olmert specifically rejected the suggestion of engaging with Syria in order to get its help regarding Iraq before Damascus meets conditions he has set out and that Syria end support for Palestinian terrorist groups and the Lebanese Hezbollah. However, perhaps in order to counter the perceived emergence of a "Shiite crescent," the Prime

⁶⁵ Of the approximately 1,100 foreign fighters killed or captured by U.S. forces in Iraq over the prior twelve months year, over 20% were Egyptian nationals. Remarks by Major General William Caldwell, News Briefing, Nov. 20, 2006.

⁶⁶ Prepared by Carol Migdalovitz, Specialist in Middle Eastern Affairs.

⁶⁷ Speech to biennial national convention of the Union of Orthodox Jewish Congregations of American, in Jerusalem, cited in "Olmert: Israel Safer Post-Saddam and After Lebanon War," *Jerusalem Post*, Nov. 23, 2006.

⁶⁸ Remarks at annual meeting with Daily Newspaper Editors' Committee, Dec. 7, 2006, *BBC Monitoring Middle East*.

⁶⁹ See Seymour M. Hersh, "Plan B; Annals of National Security," *New Yorker*, Vol. 80, Issue 17, Jun. 28, 2004.

Minister has begun to reach out to moderate Sunni states with which Israel has no ties. This was evident in his reference in a November 26, 2006 speech to “positive parts” of the 2002 Saudi peace initiative. (There also were reports, officially denied by both sides, that Olmert had met with a high level Saudi official in September.)⁷⁰ In addition, some in Israel have expressed concern that Israel might be left alone to face an Iranian nuclear threat if the Bush Administration follows the Iraq Study Group’s advice to engage Iran over Iraq and those talks involve acceptance of Iran’s nuclear ambitions.⁷¹ In early January 2007, Deputy Defense Minister Ephraim Sneh expressed concern about Iraq’s stability and described Iraq as a “volcano of terror” that could threaten Jordan and Israel.⁷²

Issues for Congress

The divergent interests and policies of Iraq’s neighbors and the United States’ need to reconcile its policy in Iraq with the pursuit of wider regional interests create a challenging context for U.S. policy makers and Members of Congress. During the first session of the 110th Congress, Members will consider policy proposals designed to modify U.S. policy in Iraq and to ensure comprehensive regional and international support for Iraq’s stabilization. The following section reviews stated U.S. objectives in Iraq and the region and outlines how Congress may influence the Administration’s use of various instruments of national power to pursue them.

U.S. Regional Interests and Concerns

Maintaining Political Stability and Energy Security. The security and stability of the Persian Gulf region and its energy resources are of critical strategic and economic importance to the United States and the wider international community. Insurgency and sectarian violence in Iraq have created unique political challenges and security threats for Iraq’s neighbors, contributing to regional uncertainty and insecurity. Disputes between Iran and the United States over Iraq, Iran’s nuclear program, and Iranian support for terrorist groups opposed to peace with Israel also heighten regional tension. The U.S. military presence in Iraq and elsewhere in the Middle East remains politically unpopular in the region in spite of a measure of support from Sunni Arab-led governments and Sunni citizens’ fears of terrorist threats and possible Iranian ambitions. Insurgent attacks on Iraqi oil infrastructure continue and similar attacks have been attempted by terrorist organizations in Saudi Arabia and Yemen. Greater coordination between the United States and its regional allies may improve U.S. chances of meeting and overcoming these challenges. However, local political developments will continue to affect U.S. efforts to shape the region’s strategic landscape.

⁷⁰ Greg Myre, “Israeli Premier and Saudi Said to Hold Secret Meeting,” *New York Times*, Sept. 26, 2006.

⁷¹ “Israel Fears US Plans to Involve Syria, Iran in Iraq Diplomacy,” *Voice of Israel*, BBC Monitoring Middle East, Dec. 6, 2006.

⁷² Herb Keinon, “Barakei: US Acted Wrongly on Saddam,” *Jerusalem Post*, Dec. 31, 2006.

Eliminating Transnational Terrorist Threats. The success of U.S. efforts to contain terrorist elements within Iraq and reduce the flow of foreign fighters to and from Iraq remains largely dependent on cooperation from Iraqi political parties and regional governments. The concern over potential Iraqi government cooperation with terrorist groups that drove U.S. policy toward Iraq in 2002 and early 2003 has given way to a wider concern that instability in Iraq has created safe-havens for expanded operations by Al Qaeda and regional terrorist entities such as the PKK. The Iraq Study Group report concluded that although Al Qaeda's presence in Iraq remains relatively small, its organization there could grow in an atmosphere of instability or if a prompt withdrawal of U.S. forces provided it with a propaganda victory. Coalition and Iraqi military forces are continuing their efforts to eliminate foreign Al Qaeda operatives and to separate nationalist Iraqi insurgent elements and tribal groups from terrorist organizations.

Managing the Rise of Iran. Iran's role in the strategic balance of the Persian Gulf region has been a central policy concern for the United States since the Second World War. The removal of the Saddam Hussein regime and the disbanding of Iraq's armed forces removed the region's principal military counterweight to Iran. The subsequent political successes of Iraq's Shiite Arab majority has created new opportunities for the expansion of Iran's political influence. However, some built-in barriers to the spread of Iranian influence in the region persist, such as political divisions among Iraq's Shiite Arab population, Arab-Persian ethnic and linguistic differences, and policy coordination mechanisms such as the GCC, the Arab League, and the new U.S.-sponsored Gulf Security Initiative. Israel and the Sunni Arab-led governments of the region largely share U.S. apprehension about Iran's regional ambitions, its nuclear program, and the potential consequences of armed confrontation with Iran. Political sensitivities and the priorities of individual governments will continue to complicate U.S. consultations and cooperation with these countries and their citizens with regard to Iran.

Promoting Political and Economic Reform. The Bush Administration has made the advancement of political and economic reform a centerpiece of its Middle East policy agenda. In some countries, governments and interest groups have carried out parallel reform efforts to increase political participation and broaden economic development, fueled by shared concerns about the potential for political dissatisfaction and limited economic prospects among young, growing populations. Reformers and their opponents have closely monitored the course of the U.S.-led intervention in Iraq and the establishment of the democratically elected, yet politically divided Iraqi government. Some observers have suggested that events in Iraq have encouraged Islamist parties, opposition groups, and minorities to push for greater representation and reform, while others warn that Iraq's instability and political paralysis have tarnished the image of groups promoting political and economic change. In the event of continuing or widening conflict in Iraq, regional governments and their citizens may begin to favor steps that promote short term stability and security at the expense of reforms designed to meet long term development goals and requirements.

Policy Options

Of the policy options currently under review by the Administration and Congress, proposals for greater diplomatic engagement, efforts to contain the negative effects of conflict to Iraq, and potential responses to hostile regional intervention are the most relevant to congressional consideration of U.S. policy toward Iraq's neighbors and other regional governments. For Members of the 110th Congress, consideration of annual appropriations and authorization legislation, as well as ongoing oversight activities and outreach efforts by individual members and committees will provide opportunities to discuss these and other proposals and recommendations and to influence their implementation.

Regional Diplomatic Engagement. Since early 2003, the United States has engaged regularly with Iraq's neighbors on Iraq-related issues of common concern, with the exception of Syria and Iran.⁷³ U.S.-supported diplomatic efforts include the international conference on Iraq that was held in November 2004, in Sharm al Shaykh, Egypt, which included high level representatives from Iraq, its key neighbors (including Iran and Syria), the G-8, the United Nations, the European Union, the Arab League, and the Organization of the Islamic Conference.⁷⁴ Select multilateral fora, such as the meetings of the U.N.-sponsored International Compact for Iraq, have provided more recent opportunities for U.S. officials to hear from and potentially interact with Iraq's neighbors, including their Iranian and Syrian counterparts. Iraqi leaders and political figures continue to conduct high-level discussions of their own with neighboring governments, including those of Iran and Syria. Current U.S. engagement efforts have focused on the so-called "GCC plus two" group, which includes the six members of the Gulf Cooperation Council plus Jordan and Egypt.

Iraqis generally have welcomed regional mediation initiatives since 2003, but recent efforts, such as an October 2006 religious dialogue conference in Mecca, Saudi Arabia,⁷⁵ have suffered from a lack of direct participation by some key Iraqi religious scholars and political figures.⁷⁶ The Arab League's Special Committee on Iraq has been attempting to convene a regionally supported national reconciliation conference for Iraqis since late 2005, when prominent Iraqis met in Cairo and

⁷³ Then-Secretary of State Colin Powell traveled to Syria in May 2003 in an unsuccessful attempt to secure Syria's support for U.S. counterterrorism policy and U.S. efforts to stabilize Iraq. After the February 2005 assassination of former Lebanese Prime Minister Rafiq Hariri, widely blamed on Syrian agents, Secretary of State Rice recalled U.S. Ambassador Margaret Scobey to Washington for consultations. She has not been replaced.

⁷⁴ See *Agence France Presse*, "List of Participants at Iraq Conference," Nov. 22, 2004; "Egypt: Summit's Final Communique Reaffirms Iraqi Sovereignty, Unity," OSC Document - GMP20041124000066, Nov. 24, 2004.

⁷⁵ See closing statement: [<http://www.oic-oci.org/english/conf/iraq-meeting/makka-doc.htm>].

⁷⁶ Key Sunni figures, such as Association of Muslim Scholars secretary general Harith al Dhari, and prominent Shiites, such as Supreme Council of the Islamic Revolution in Iraq (SCIRI) chairman Abd al Aziz al Hakim and Grand Ayatollah Sayyid Ali al Sistani, did not participate in the Mecca conference. Al Sistani and Al Dhari subsequently expressed their support for the effort, as did a number of other important regional clerics.

adopted a common statement recognizing “resistance” as a “legitimate right” distinct from terrorism and calling for a timetable for U.S. withdrawal.⁷⁷ In early December 2006, Iraqi Prime Minister Nouri al Maliki told reporters that his government wants “a regional or international conference on Iraq to be convened, but not on the premise that it finds solutions on its own, but in light of what the national unity government wants.”⁷⁸

Many of the Iraq Study Group’s recommendations propose increased regional, multi-lateral, and international diplomacy, beyond steps already taken by the Administration. The unifying theme of the Group’s regional diplomacy recommendations (Recommendations 1 through 18) is a “diplomatic offensive to deal with the problems of Iraq and of the region.” As a complement to this “offensive,” the Iraq Study Group recommends the creation of a “Support Group” made up of Iraq, its immediate neighbors, key regional states such as Egypt and the Arab Gulf states; the five permanent members of the United Nations Security Council; the European Union; and other interested countries. Many observers have noted that such a group has begun to coalesce in the form of the United Nations-sponsored International Compact for Iraq. Similar ideas were included in several resolutions introduced in the 109th Congress, including S.J.Res. 36, S.Res. 470, S.J.Res. 33, and S. 1993, although several of these bills also provided for timetables for a U.S. withdrawal.⁷⁹ The Iraq Study Group departed from existing initiatives and Administration policies in its recommendations for direct U.S. engagement with Syria and Iran (Recommendations 9 through 12), and recommendations for the resolution of outstanding Arab-Israeli and Israeli-Palestinian disputes as part of a comprehensive regional peace initiative (Recommendations 13 through 17).

The key questions with regard to diplomatic outreach proposals remain: how much political and material support will Iraq’s neighbors be willing to provide to sustain the implementation of future reconciliation arrangements; and which Iraqis will be willing to cooperate with regionally supported initiatives? Statements agreed to and commitments made by Iraqis and their neighbors in regional conferences held since 2003 generally have not been implemented. Critics of a new expanded diplomatic approach argue that Iraq’s neighbors are unlikely to abandon the pursuit of their individual national interests in favor of a collective settlement, and that Iraq’s constituent political and ethnic groups are unlikely to give up their pursuit of parochial interests in favor of national unity.⁸⁰ In particular, many critics argue that Iran and Syria, strengthened by the difficulties faced by the U.S. military in Iraq and cognizant of the need to carefully manage their respective confrontations with the

⁷⁷ Jonathan Wright, “Iraq’s Arab Neighbors Meet, Afraid of Chaos,” *Reuters*, Dec 5, 2006; and, “Closing Statement of Iraqi Meeting Calls For Supporting Iraqi Political Process” *Cairo Nile News TV*, OSC Document - GMP20051121710037, Nov., 21, 2005

⁷⁸ John O’Neil, “Maliki Urges Regional Meeting on Stabilizing Iraq,” *New York Times*, Dec. 5, 2006.

⁷⁹ All four bills were read twice and referred to the Senate Committee on Foreign Relations.

⁸⁰ See Reuel Marc Gerecht, “Bartering with Nothing,” *The Weekly Standard*, Volume 12, Issue 11, Nov. 27, 2006; and, Frederick W. Kagan, *Choosing Victory: A Plan for Success in Iraq - Phase I Report*, American Enterprise Institute, Jan. 5, 2007, pp. 40-2.

United States over Lebanon and nuclear technology development, are unlikely to cooperate with a comprehensive U.S.-led diplomatic initiative on Iraq.

Containment Strategies. The ability of the Iraqi people and their leaders to resolve outstanding political differences and to eliminate security threats from militias, insurgents, terrorists, and criminal organizations may remain chronically limited or deteriorate significantly. In the event that greater international engagement and support or enhanced U.S. stabilization and training efforts fail to produce reconciliation and renewed security, U.S. efforts to contain the negative effects of continued insurgency, civil conflict, and criminality in Iraq may become necessary in order to preserve wider regional interests. Policy proposals in support of “containment strategies” may require congressional authorization, new appropriations, or expanded oversight, and could include:

- appropriation and authorization requests for increased levels of military and counterterrorism assistance for some of Iraq’s neighbors;
- border security cooperation and/or joint efforts to target transnational groups of primary concern to the U.S. and Iraq’s neighbors, such as the Kurdistan Worker’s Party (PKK) and Al Qaeda in Iraq;
- initiatives to limit the illicit sale of Iraqi oil;
- modification of sanctions laws targeting Iran, Syria, or introduction of new sanctions legislation targeting other governments;
- efforts to restrict the reverse flow of foreign fighters and other combatants from Iraq; or
- the provision of emergency support for humanitarian operations.

Responding to Hostile Regional Intervention. In his January 10 address, President Bush stated that the United States would act to “interrupt the flow of support” to militias and terrorist groups in Iraq from Iran and Syria, and “seek out and destroy the networks providing advanced weaponry and training to our enemies in Iraq.” These statements have led to speculation that new efforts to confront elements of the Iranian and Syrian governments that may be supporting problematic elements in Iraq may be forthcoming. Most observers believe that continued violence in Iraq is less likely to spark a conventional war between Iraq’s neighbors than it is to lead Iraq’s neighbors to intervene and potentially confront each other in the future via unconventionally supported Iraqi proxies. Turkish military intervention in northern Iraq, increased Iranian materiel and intelligence support for Shiite militias, or new Sunni Arab support to Sunni insurgent groups or tribal militias would each challenge the Congress and the Administration. The status of U.S. relations with Iraq’s neighbors could change drastically based on the conduct of Iraqi government forces during any overt interventions, the content and amounts of provided support, and the behavior of proxy elements. For Members of Congress, weighing these factors when considering bilateral relationships may prove difficult: observers of past regional conflicts that have featured external interventions (i.e. Lebanon’s civil war and the anti-Soviet conflict in Afghanistan) emphasize that support for proxy groups rarely translates to direct control over proxies’ activities and can have unintended and unexpected consequences over the long term.