



# Iran's Activities and Influence in Iraq

**Kenneth Katzman**

Specialist in Middle Eastern Affairs

April 7, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

RS22323

**CRS Report for Congress**

*Prepared for Members and Committees of Congress*

## Summary

With a conventional military and weapons of mass destruction (WMD) threat from Saddam Hussein's regime removed, Iran seeks to ensure that Iraq can never again become a threat to Iran, either with or without U.S. forces present in Iraq. Some believe that Iran's intentions go well beyond achieving Iraq's "neutrality"—that Iran wants to try to harness Iraq to Iran's broader regional policy goals and to help Iran defend against international criticism of Iran's nuclear program. Others believe Iran sees Iraq as providing lucrative investment opportunities and a growing market for Iranian products and contracts.

Iran has sought to achieve its goals in Iraq through several strategies: supporting pro-Iranian factions and armed militias; attempting to influence Iraqi political leaders and faction leaders; and building economic ties throughout Iraq that might accrue goodwill to Iran. It is Iran's support for armed Shiite factions that most concern U.S. officials. That Iranian activity has hindered—and continues to pose a threat to—U.S. efforts to stabilize Iraq, and has heightened the U.S. threat perception of Iran generally. However, Iran has suffered some set backs over the past year because its protege Shiite factions, formerly united, are increasingly competing with each other politically and losing support among the Iraqi public. The most pro-Iranian factions generally fared poorly in the January 31, 2009 provincial elections. This report will be updated; also see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

## **Contents**

Background .....	1
Assertions of Iranian Support to Armed Groups .....	2
Shiite Internecine Combat.....	3
The Decline of Sadr and Implications for Iran.....	3
Implications of the Provincial Elections for Iranian Influence .....	4
U.S. Efforts to Reduce Iran's Activities in Iraq.....	5
Negotiations With Iran .....	6
Iranian Influence Over Iraqi Political Leaders .....	6
Longstanding Territorial and Property Disputes .....	7
Economic Relations .....	8
Prospects.....	8

## **Contacts**

Author Contact Information .....	9
----------------------------------	---

## Background

Since the fall of Saddam Hussein, Iran has sought to shape and influence the post-Saddam political structure to Iran's advantage. During 2003-2005, Iran calculated that it suited its interests to support the entry of Iraqi Shiite Islamist factions into the U.S.-led election process, because the number of Shiites in Iraq (about 60% of the population) virtually ensured Shiite dominance of an elected government. To this extent, Iran's goals did not conflict with the U.S. objective of trying to establishing representative democracy in Iraq. Iran helped assemble a Shiite Islamist bloc ("United Iraqi Alliance"), encompassing the Islamic Supreme Council of Iraq (ISCI), the Da'wa (Islamic Call) party, and the faction of the 35-year-old cleric Moqtada Al Sadr. This formidable bloc won 128 of the 275 seats in the December 15, 2005, election for a full term parliament. Dawa senior leader Nuri al-Maliki was selected as Prime Minister; several ISCI figures took other leadership positions, and five Sadrists were given ministerial posts.

ISCI's leaders, including Ayatollah Mohammad Baqr Al Hakim, who was killed in an August 2003 car bomb in Najaf, had spent their years of exile in Iran and built ties to Iranian leaders.<sup>1</sup> ISCI's militia, the "Badr Brigades" (renamed the "Badr Organization"), had been recruited, trained, and armed by Iran's Revolutionary Guard, the most politically powerful component of Iran's military, during the 1980-88 Iran-Iraq war. In that war, Badr guerrillas conducted attacks from Iran into southern Iraq against Baath Party officials, but did not shake the regime. After Saddam's fall, Iran continued to provide political, financial, and military support to ISCI and the Badr Brigades militia, which numbered about 15,000. During 2005-6, apparently with the active work of ISCI member Bayan Jabr as Interior Minister, the militia burrowed into the Iraqi Security Forces (ISF) and the Interior Ministry, which oversees the various police forces.. Bayan Jabr is a close ally of Abd al Aziz al-Hakim, the younger brother of Mohammad Baqr, and who succeeded his brother upon his 2003 death. Hakim has acknowledged publicly that he is undergoing treatment for lung cancer and, should he pass from the scene, he is likely to be succeeded by his son, Amar al-Hakim, although Jabr and other ISCI leaders such as deputy president Adel Abd al-Mahdi and constitutional review commission chair Hummam al-Hammoudi might compete for that leadership.

The Sadr faction's political ties to Iran were initially limited because his family remained in Iraq during Saddam's rule. Still, the Sadr clan has ideological ties to Iran; Moqtada's cousin, Mohammad Baqr Al Sadr, founded the Da'wa Party and was a political ally of Ayatollah Khomeini when Khomeini was in exile in Najaf (1964-1978). Baqr Al Sadr was hung by Saddam Hussein in 1980 at the start of the Da'wa Party rebellion against Saddam's regime. Moqtada is married to one of Baqr Al Sadr's daughters. In 2005, Iran came to see political value and potential leverage in Sadr's faction—which has 30 total seats in parliament, a large and dedicated following among lower-class Iraqi Shiites, and which built an estimated 60,000 person "Mahdi Army" (Jaysh al-Mahdi, or JAM) militia after Saddam's fall. Sadr unleashed the JAM on several occasions as part of a strategy of challenging what he sees as a U.S. occupation of Iraq, but U.S. military operations defeated the JAM in April 2004 and August 2004 in "Sadr City" (Sadr stronghold in east Baghdad), Najaf, and other Shiite cities. In those cases, fighting was ended with compromises under which JAM forces stopped fighting in exchange for amnesty for Sadr.

---

<sup>1</sup> In 1982, Mohammad Baqr was anointed by then Iranian leader Ayatollah Ruhollah Khomeini to head a future "Islamic republic of Iraq."

Perceiving the JAM as useful against the United States in the event of a U.S.-Iran confrontation, in 2005, Iran began arming it through the Revolutionary Guard's "Qods (Jerusalem) Force," the unit that assists Iranian protege forces abroad. During 2005-6, the height of sectarian conflict in Iraq, Badr fighters in and outside the ISF, as well as JAM militiamen, were involved in sectarian killings of Sunnis, which accelerated after the February 2006 bombing of the Al Askari Mosque in Samarra.

## **Assertions of Iranian Support to Armed Groups**

Iran's arming and training of Shiite militias in Iraq has added to U.S.-Iran tensions over Iran's nuclear program and Iran's broader regional influence, such as its aid to Lebanese Hezbollah and the Palestinian organization Hamas, which now controls the Gaza Strip. U.S. officials feared that, by supplying armed groups in Iraq, Iran was seeking to develop a broad range of options that included: pressuring U.S. and British forces to leave Iraq; to bleed the United States militarily; and to be positioned to retaliate in Iraq should the United States take military action against Iran's nuclear program. However, as of early 2009, according to the Defense Department report on Iraq stability (March 2009), "Tehran has selectively reduced the number of militants it supports."

At the height of Iran's support to Shiite militias, U.S. officials publicly discussed specific information on Qods Force and Hezbollah aid to Iraqi Shiite militias, particularly the JAM. One press report said there are 150 Qods and intelligence personnel there,<sup>2</sup> but some U.S. commanders who have served in southern Iraq said they understood that there were perhaps one or two Qods Force personnel in each Shiite province, attached to or interacting with pro-Iranian governors in those provinces. Qods Force officers often do not wear uniforms and their main role is to identify Iraqi fighters to train and to organize safe passage for weapons and Iraqi militants between Iran and Iraq, although some observers allege that Iranian agents sometimes assisted the JAM in its combat operations. A study by the "Combatting Terrorism Center" at West Point, published October 13, 2008 ("Iranian Strategy in Iraq: Politics and 'Other Means'"), details this activity, based on declassified interrogation and other documents.

- On February 11, 2007, U.S. military briefers in Baghdad provided what they said was specific evidence that Iran had supplied armor-piercing "explosively formed projectiles" (EFPs) to Shiite (Sadrist) militiamen. EFPs have been responsible for over 200 U.S. combat deaths since 2003. In August 2007, Gen. Raymond Odierno, then the second in command (now overall commander in Iraq), said that Iran had supplied the Shiite militias with 122 millimeter mortars that are used to fire on the Green Zone in Baghdad. On August 28, 2008, the *Washington Times* reported that pro-Sadr militias were now also using "Improvised Rocket Assisted Munitions"—a "flying bomb" carrying 100 pounds of explosives, propelled by Iranian-supplied 107 mm rockets.
- On July 2, 2007, Brig. Gen. Kevin Begner said that Lebanese Hezbollah was assisting the Qods Force in aiding Iraqi Shiite militias, adding that Iran gives about \$3 million per month to these Iraqi militias. He based the statement on the March 2007 capture of former Sadr aide Qais Khazali and Lebanese Hezbollah operative Ali Musa Daquq. They were allegedly involved in the January 2007

---

<sup>2</sup> Linzer, Dafna. "Troops Authorized To Kill Iranian Operatives in Iraq," *Washington Post*, January 26, 2007.

killing of five U.S. forces in Karbala. On October 7, 2007, Gen. David Petraeus, then overall U.S. commander in Iraq, told journalists that Iran's Ambassador to Iraq, Hassan Kazemi-Qomi, is himself a member of the Qods Force.

Continuing to present evidence of Iranian material assistance to Shiite militias, Gen. Petraeus testified on April 8-9, 2008, that Iran was continuing to arm, train, and direct "Special Groups"—radical and possibly breakaway elements of the JAM—and to organize the Special Groups into a "Hezbollah-like force to serve [Iran's] interests and fight a proxy war against the Iraqi state and coalition forces...."

### **Shiite Internecine Combat**

The Gen. Petraeus testimony in April 2008 was delivered amidst an ISF offensive, launched by Maliki on March 26, 2008, to clear JAM militiamen from Basra, particularly the port area which the JAM and other militias controlled and used for financial benefit. In the initial assault, the ISF units (dominated by Badr loyalists) failed and partly collapsed — 1,300 of the 7,000 additional ISF sent in for the assault did not fight. Later, U.S. and British forces intervened with air strikes and military advice, helping the ISF gain the upper hand and restore relative normality. Sadr, who reportedly received Iranian aid during the fighting, agreed to an Iran-brokered "ceasefire" on March 30, 2008, but not to disarm. Some fighting and JAM rocketing of U.S. installations in Baghdad continued subsequently, in some cases killing U.S. soldiers, and U.S. forces continued to fight JAM elements in Sadr City until another Sadr-Maliki agreement on May 10, 2008. Subsequently, the ISF moved into Amarah unopposed on June 16, 2008, and quieted that city. Other arrests of Sadrists took place in Sadr's former stronghold of Diwaniyah, the capital of Qadisiyah Province; the weakening of Sadr's faction facilitated the handed over of that province to Iraqi control in July 2008.

The Basra battles were the most dramatic manifestation of a rift between Maliki and Sadr that had begun in 2007. Maliki reportedly launched the Basra offensive in part to reduce Sadr strength in provincial elections held on January 31, 2009. In 2007, Maliki and ISCI recognized the need to cooperate with the U.S. "troop surge" launched that year by permitting U.S. forces to place military pressure on the JAM. In 2006, Maliki had been preventing such U.S. operations in an effort to preserve his alliance with Sadr. As a result of Maliki's shift in 2007, Sadr broke with him, pulled the five Sadrist ministers out of the cabinet, and withdrew his faction from the UIA bloc. The rift widened throughout 2007 as JAM fighters battled Badr-dominated Iraqi forces, and U.S., and British forces for control of such Shiite cities as Diwaniyah, Karbala, Hilla, Nassiriyah, Basra, Kut, and Amarah. This also caused a backlash against Sadr among Iraqi Shiite civilian victims, particularly after the August 2007 JAM attempt to take control of religious sites in Karbala. The backlash caused Sadr to declare a six month "suspension" of JAM activities. (He extended the ceasefire in February 2008 for another six months, although with the implicit understanding that it would be an indefinite suspension.) The intra-Shiite fighting expanded as Britain drew down its forces the Basra area from 7,000 to 4,000 in concert with a withdrawal from Basra city to the airport, and the transfer of Basra Province to ISF control on December 16, 2007.

### **The Decline of Sadr and Implications for Iran**

The Basra battles weakened Sadr politically, and his movement has not recovered, to date. Sadr told his followers on June 13, 2008 that most of the JAM would now orient toward "peaceful

activities,” clarified on August 8, 2008 to be social and cultural work under a new movement called “Mumahidun,” or “trail blazers;” and that a small corps of “special companies” (the U.S.-described Special Groups) would be formed from the JAM to actively combat U.S. (but not Iraqi) forces in Iraq. Suggesting that he did not feel overly confident about Sadrist prospects in the January 31, 2009 elections, Sadr also announced in August 2008 that he would back technocrats and independents for upcoming provincial elections but not offer a separate “Sadrist” list. Iraq’s election authorities published candidate lists, but Sadr representatives did not specify who specifically are Sadrist candidates. The slate that was most well known for being pro-Sadr was the “Independent Liberals Trend” (list number 284).

In the months leading up to the provincial elections, U.S. commanders in Iraq said they had seen a clear reduction of JAM activity. On August 18, 2008 the number two U.S. commander in Iraq, Lt. Gen. Lloyd Austin, said that many JAM fighters had gone to Iran temporarily for more training and resupply. In December 2008, Lt. Gen. Thomas Metz said that there was a marked decline in the number of explosive devices coming into Iraq from Iran.<sup>3</sup> The relative quiescence of the JAM could also explain why a U.S. briefing on new information on Iranian aid to the JAM, first expected in May 2008 but opposed by Iraqi leaders who do not want to draw Iraq into a U.S.-Iran dispute, was not held. Nor has there been further follow-up from an Iraqi parliamentary group that visited Iran to discuss the issue in April 2008, or from an Iraqi commission investigating Iran’s aid to the JAM.

The Defense Department’s “Measuring Stability and Security in Iraq” report, published March 2009, says that Iran continues to support Sadr’s religious studies in Qom, Iran (where Sadr is believed to have been for at least a year), “Tehran has selectively reduced the number of militants it supports. However, Tehran has also simultaneously improved the training and weapons systems received by the proxy militants.”

### **Implications of the Provincial Elections for Iranian Influence**

As Sadr’s militia and political activity have weakened, Iran’s political influence in Iraq was further jeopardized by a growing rift between Maliki and his erstwhile political ally, ISCI. ISCI and Maliki’s Da’wa Party have long been the core of the Shiite alliance that dominates Iraq, but they filed competing slates in the provincial elections. Maliki’s slate was called the State of Law Alliance (slate no. 302), and ISCI’s slate was the Shahid (Martyr) al-Mihrab and Independent Forces List (slate no. 290). ISCI activists assert that Maliki has surrounded himself with Da’wa veterans who have excluded ISCI from decision-making influence. Maliki, trying to compensate for Da’wa’s organizational deficiencies, tried to align his party with tribal leaders in the south to win provincial council seats. The net effect was to introduce new splits in the Shiite bloc in Iraq and to cause Iran to have to choose among its various Shiite allies in Iraq.

To the extent that Maliki is less pro-Iranian than is ISCI or Sadr, the January 31, 2009 elections represented a clear setback for Iran and its interests. ISCI, which was hoping to sweep the elections in the Shiite south, did not come in first in any Shiite province. In most of the Shiite provinces, the Maliki slate came in first, and his slate won 28 out of the 57 seats on the Baghdad provincial council, and it won an outright majority in Basra – 20 out of 35 seats on that provincial council. ISCI’s best showing in the south was in Najaf, where it tied with the Maliki slate with 7

---

<sup>3</sup> Barnes, Julian. “U.S. Says Drop in Iraq Deaths Tied to Iranian Arms Cutback.” *Los Angeles Times*, December 12, 2008

seats each on the 28 seat provincial council. ISCI has few opportunities to forge coalitions that will determine who will be governor of a particular province.

In many of the Shiite provinces of the south, the Sadrist list came in third. In Basra, the former JAM stronghold, the Sadrist list won only 2 out of the 35 seats. Still, in some provinces, Sadr's faction has leverage as a coalition partner to determine who will ultimately run particular provinces.

On the other hand, some might argue—and this is discussed in sections below—Maliki and his faction are pro-Iranian as well, and therefore Maliki's strong showing in the provincial elections does not necessarily mean that Iran's influence in Iraq is diluted. The first Defense Department "Measuring Stability and Security in Iraq" report since the elections, released March 2009, says that Iran "continues to pose a significant challenge to Iraq's long-term stability and political independence." Still, the Measuring Stability report acknowledges that Tehran suffered a setback in the elections, which were viewed as victories for parties favoring a strong central government, by stating that "Iraqi nationalism may act as a check on Iran's ambitions..."

## **U.S. Efforts to Reduce Iran's Activities in Iraq**

In addition to the U.S. and Maliki efforts against the JAM, U.S. forces arrested a total of 20 Iranians in Iraq, many of whom are alleged to be Qods Forces officers, during December 2006-October 2007; five of which were arrested in January 2007 in the Kurdish city of Irbil. In late 2007, the U.S. military released ten of them, but continue to hold ten believed of high intelligence value. On August 12, 2008, U.S.-led forces arrested nine Hezbollah members allegedly involved in funneling arms into Iraq, and on August 29, 2008, U.S. forces arrested Ali Lami on his return to Iraq for allegedly being a "senior Special Groups leader." On March 24, 2007, with U.S. backing, the U.N. Security Council unanimously adopted Resolution 1747 (on the Iran nuclear issue), with a provision banning arms exports by Iran—a provision clearly directed at Iran's arms supplies to Iraq's Shiite militias and Lebanese Hezbollah. In 2007, the U.S. military built a base near the Iranian border in Wasit Province, east of Baghdad, to stop cross-border weapons shipments. In July 2008, U.S. forces and U.S. civilian border security experts established additional bases near the Iran border in Maysan Province, to close off smuggling routes. In December 2008, Secretary of State Rice attributed the apparent decline in Iran's activities in Iraq to these policies, saying the United States had been "very aggressive" against [Qods Force] agents.

In an effort to financially squeeze the Qods Force, on October 21, 2007, the Bush Administration designated the Qods Force (Executive Order 13224) as a provider of support to terrorist organizations. On January 9, 2008, the Treasury Department took action against suspected Iranian and pro-Iranian operatives in Iraq by designating them as a threat to stability in Iraq under a July 17, 2007 Executive Order 13438. The penalties are a freeze on their assets and a ban on transactions with them. The named entities are: Ahmad Forouzandeh, Commander of the Qods Force Ramazan Headquarters, accused of fomenting sectarian violence in Iraq and organizing training in Iran for Iraqi Shiite militiamen; Abu Mustafa al-Sheibani, the Iran-based leader of network that funnels Iranian arms to Iraqi Shiite militias; and Isma'il al-Lami (Abu Dura), a Shiite militia leader—who has broken from the JAM—alleged to have planned assassination attempts against Iraqi Sunni politicians. Also on October 21, 2007, the Administration designated the Revolutionary Guard and several affiliates, under Executive Order 13382, as proliferation concerns. The designations carry the same penalties as do those under Executive Order 13224. Neither the Guard or the Qods Force was named a Foreign Terrorist Organizations (FTOs)—



recommended by the FY2008 defense authorization bill (P.L. 110-181) and a bill in the 110<sup>th</sup> Congress, H.R. 1400 (passed September 25, 2007).

## **Negotiations With Iran**

The United States has also sought to engage Iran in an effort to refrain from activities that undermine stability in Iraq. The Bush Administration initially rejected the recommendation of the “Iraq Study Group” (December 2006) to include Iran in multilateral efforts to stabilize Iraq, in part because of concerns that Iran might use such meetings to discuss Iran’s nuclear program. However, in a shift conducted in concert with the “troop surge,” the United States attended regional (including Iran and Syria) conferences (“Expanded Neighbors Conference” process) in Baghdad on March 10, 2007, in Egypt during May 3-4, 2007, and in Kuwait on April 22, 2008. Secretary of State Rice and Iranian Foreign Minister Mottaki held no substantive discussions at any of these meetings.

In a more pronounced shift, the United States agreed to bilateral meetings with Iran, in Baghdad, on the Iraq issue, led by U.S. Ambassador to Iraq Ryan Crocker and Iranian Ambassador Kazemi-Qomi. The first was on May 28, 2007. A second round, held on July 24, 2007, established a lower level working group; it met on August 6, 2007. Talks in Baghdad scheduled for December 18, 2007, were postponed because Iran wanted them at the ambassador level, not the working group level. On May 6, 2008, Iran said it would not continue the dialogue because U.S. forces are causing civilian casualties in Sadr City, although the Iranian position might reflected a broader Iranian assessment that it needs to make no concessions to the United States in Iraq. During a visit to Iran by Iranian Foreign Minister Manuchehr Mottaki on February 11, 2009, Mottaki ruled out new talks with the United States on Iraq saying that improved security in Iraq made them unnecessary.

## **Iranian Influence Over Iraqi Political Leaders**

Iran has tried to exploit its ties to Iraqi government leaders to try to build broad political and economic influence over outcomes in Iraq, although Iran’s commerce with and investment in Iraq, do not necessarily conflict with U.S. goals. The most pressing concern for the United States was Iran’s efforts to derail a U.S.-Iraq Status of Forces Agreement (SOFA) that would authorize the U.S. military presence beyond December 31, 2008. Senior Iranian leaders publicly opposed the pact as an infringement of Iraq’s sovereignty—criticism that likely masks Iran’s fears the pact is a U.S. attempt to consolidate its “hold” over Iraq and encircle Iran militarily. This criticism might have contributed to insistence by Iraqi leaders on substantial U.S. concessions to a final draft agreement. As an example of the extent to which Iran was reputedly trying to derail the agreement, Gen. Odierno said on October 12, 2008 that there are intelligence reports suggesting Iran might be trying to bribe Iraqi parliamentarians to vote against it. In the end, Iran’s concerns were attenuated by a provision in the final agreement (passed by Iraq’s parliament on November 27, 2008 and now in force as of January 1, 2009) that U.S. forces could not use Iraqi territory as a base for attacks on any other nation. Iranian opposition was also reduced by U.S. agreement to an Iraqi demand to set a timetable (end of 2011) for a full withdrawal of U.S. forces from Iraq. However, even after the pact took effect, Iran’s Supreme Leader Ali Khamene’i (January 5, 2009) warned Maliki that the United States is cannot be trusted to implement its pledges under the pact.

In accordance with the entry into force of the SOFA, Iraq has a greater degree of input over U.S. operations in Iraq, and Iran has sought to use this change to try to eliminate its opposition that is based in Iraq. There are still 3,400 members of the Iranian opposition People's Mojahedin Organization of Iran (PMOI), a group allied with Saddam against Iran, confined by U.S.-led forces to "Camp Ashraf" near the Iran border. Iran has sought to persuade Iraqi leaders to expel the group, possibly including extraditing its members to Iran. Before and since the SOFA took effect on January 1, 2009, Iraqi leaders said the Ashraf activists would be expelled, but would not be forced into Iran. However, in February 2009, the ISF took control of the outer perimeter of Ashraf, with U.S. forces still in control of the camp. However, PMOI activists fear that the ISF will eventually take control of the whole camp and might try to expel them into Iran. Few countries will accept the PMOI activists as residents—a consequence of the PMOI designation by many countries (including the United States) as a terrorist organization. On January 26, 2009, the European Union removed the group from its list of terrorist organizations, potentially opening up avenues for arranging relocation of the Ashraf inhabitants to countries in Europe.

## **Longstanding Territorial and Property Disputes**

Some of Iran's interests have been served by post-Saddam Iraqi leaders, although Iraqi nationalism that has been emerging since 2007 has reduced Iraq's pliability to compromise with Iran on longstanding disputes. During exchanges of high-level visits in July 2005, Iraqi officials took responsibility for starting the 1980-1988 Iran-Iraq war, indirectly blamed Saddam Hussein for using chemical weapons against Iranian forces in it, signed agreements on military cooperation, and agreed to Iranian consulates in Basra, Karbala, Irbil, and Sulaymaniyah. In response to U.S. complaints, Iraqi officials subsequently said that any Iran-Iraq military cooperation would not include Iranian training of Iraqi forces. On May 20, 2006, Iraq's Foreign Minister, Hoshiyar Zebari, supported Iran's right to pursue "peaceful" nuclear technology.<sup>4</sup>

On the other hand, Iran has not returned the 153 Iraqi military and civilian aircraft flown to Iran at the start of the 1991 Gulf War, although it allowed an Iraqi technical team to assess the aircraft in August 2005. Another dispute is Iran's allegations Iraq is not doing enough to deny safe haven to the Party for a Free Life in Kurdistan (PJAK), an Iranian Kurdish separatist group, which Iran says is staging incursions into Iran. On February 5, 2009, that group was named by the U.S. Treasury Department as a terrorism supporting entity under Executive Order 13224.

Most territorial issues that have contributed to past disputes were resolved as a result of an October 2000 rededication to recognize the *thalweg*, or median line of the Shatt al Arab waterway as the water border (a provision of the 1975 Algiers Accords between the Shah of Iran and the Baathist government of Iraq, abrogated by Iraq prior to its September 1980 invasion of Iran.) The water border is subject to interpretation, but the two sides agreed to renovate water and land border posts during the March 2008 Ahmadinejad visit. In February 2009, Foreign Minister Zebari urged Iran to move forward with these demarcations, suggesting Iranian foot-dragging to resolve an issue whose ambiguity now favors Iran.

---

<sup>4</sup> "Clarification Statement" issued by Iraqi Foreign Minister Hoshiyar Zebari. May 29, 2006.

## **Economic Relations**

Suggesting the degree to which the Iraqi government views Iran as a benefactor, Maliki has visited Iran four times as Prime Minister to consult on major issues and to sign agreements. The visits were: September 13-14, 2006, resulting in agreements on cross border migration and intelligence sharing; August 8-9, 2007, resulting in agreements to build pipelines between Basra and Iran's city of Abadan to transport crude and oil products for their swap arrangements (finalized on November 8, 2007); June 8, 2008, resulting in agreements on mine clearance and searches for the few Iran-Iraq war soldiers still unaccounted for;<sup>5</sup> and January 4-5, 2009, primarily to explain to Iran the provisions of the U.S.-Iraq pact but also to continue Iraqi efforts to buy electricity from Iran. On March 2-3, 2008, Ahmadinejad visited Iraq, a first since the 1979 Islamic revolution. In conjunction, Iran announced \$1 billion in credits for Iranian exports to Iraq (in addition to \$1 billion in credit extended in 2005, used to build a new airport near Najaf, opened in August 2008, which helps host about 20,000 Iranian pilgrims per month who visit the Imam Ali Shrine there). The visit also produced seven agreements for cooperation in the areas of insurance, customs treatment, industry, education, environmental protection, and transportation. In 2005, Iran agreed to provide 2 million liters per day of kerosene to Iraqis. Suggesting Iran's earlier generosity is being reciprocated, in February 2009, the Iraqi government awarded a \$1 billion contract to an Iranian firm to help rebuild Basra, and to repair ancient Persian historical sites in southern Iraq.

Trade relations have burgeoned. As of the beginning of 2009, the two countries now conduct about \$4 billion in bilateral trade, according to Iraq's Trade Minister, and the February 2009 visit of Iranian Foreign Minister Mottaki resulted in a plan to increase that trade to \$5 billion annually through increases in oil and electricity-related trade. The two countries have developed a free trade zone around Basra, which buys electricity from Iran.

## **Prospects**

Iran's influence in Iraq remains substantial, but the provincial elections might indicate that this influence is beginning to wane. The influence could fall further as Maliki continues to strengthen and assert Iraq's independence and sovereignty from all influences, both U.S. and Iranian. Iran is undoubtedly concerned that the results of the provincial elections might have represented an Iraqi popular rebuke to its influence in Iraq. Some experts have long predicted that Iran's influence would fade as Iraq asserts its nationhood, as the security situation has improved, and as Arab-Persian differences reemerge. Many experts point out that Iraqi Shiites generally stayed loyal to the Iraqi regime during the 1980-1988 Iran-Iraq war. Najaf, relatively secure and prosperous, might eventually meet pre-war expectations that it would again exceed Iran's Qom as the heart of the Shiite theological world.

---

<sup>5</sup> Under this agreement, on December 1, 2008, Iran and Iraq exchanged the remains of 241 soldiers killed in that war. It is unclear how many personnel from each side remain unaccounted for.

## **Author Contact Information**

Kenneth Katzman  
Specialist in Middle Eastern Affairs  
kkatzman@crs.loc.gov, 7-7612