IRAQ: YEARS OF POST-SADDAM INTERNAL AND EXTERNAL DEVELOPMENTS

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Introduction

Iraq is very important for the world community because of its strategic position at the crossroads between the Persian Gulf, the Mediterranean Sea and the Red Sea along with huge oil and mineral wealth. Moreover, Iraqi case illustrates all aspects of the US Middle Eastern policy since the end of the Cold War.

Iraq is viewed by many scientists as a failed state despite huge mineral wealth and considerable American official aid. This country remains among the top ten state actors with the world's largest oil reserves. However, crude oil deposits are divided between Shia majority in the south and Kurd minorities in the north-eastern regions what endangers her security and development. Kurdish people demand independence, whereas Sunni loyalists want more power in a political process and are striving to end sectarian violence. At the same time Iraq is torn between Iran and the USA with each side demanding loyalty and full-fledged cooperation. The main *research steps* explain the peculiarities of economic recovery of Iraq, the reasons behind de-facto independence of autonomous Iraqi Kurdistan, the origins of Shia-Sunni civil war, the deterioration of American strategic presence, and the rise of Iranian influence on a war-torn country.

The main purpose of the article is to analyze the outcome of 14-years old transition from totalitarian rule of Saddam Hussein to democratic governance. It is also important to find out how post-Saddam state copes with severe external challenges emanating from Turkey, Iran and insurgency in Syria. Iraqi, Turkish and Iranian *news outlets* along with official sites of respective Ministries of foreign affairs and the publications of think tanks were used as

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the principal sources of information.

Analysis of the latest publications

Many researchers in the USA view Iraqi developments from the perspective of American national interests, but this work provides a comprehensive analysis of interaction between Iraq and its main political and economic partners in order to re-create and analyze vital events in post-Saddam era. What concerns Ukraine, it is important to single out the scientific work *Alexandr Manchinskiy*², who argues that the US counter-insurgency operations in Iraq were extremely cruel and American interim administration did not prevent the rise in robberies of Babylonian treasures (Manchinskiy 2015). In another article *Ganna Shelest*³ considers mistakes of the President George Bush Junior in Iraq among which were such actions as unjustified intervention, denial of proper justice and swift execution of 69-years old Saddam Hussein, fostering of Shia-Sunni divide via democratic process without providing safeguards for Sunni minority and adoption of undemocratic Constitution back in 2005 (Shelest 2013). Finally, *Ludmila Chekalenko and Viacheslav Zivatiy*⁴ call the attempts of Turkey and Syria to divert the waters of the Tigris and Euphrates a grave threat to the security of Iraq that Iraqi state completely powerless to stop (Chekalenko, Zivatiy and Vasilieva 2014).

The country is situated at the crossroads between the Mediterranean Sea, Arabian (Persian) Gulf and the Red Sea, thus influencing events in all three respective regions. Under the rule of Ba'ath Party Iraq was regarded as the last frontier of Sunni Arab world against Shiites of Iran, but today both neighbours with the biggest Shia population in the Middle East demonstrate unity on many important regional issues. Moreover, Iraq remains a participant of unresolved Kurdish question and the only state in the world, where Kurds enjoy wide regional autonomy by possessing own armed forces Peshmerga (literally "those who confront death"), government, flag and semi-official representative offices abroad.

Iraq is squeezed between Saudi Arabia and Iran with a tiny 58-kilom-

2 Original work: Маначинский Александр, "Ирак: тайные пружины войны" (Киев: Румб, 2005), 416 с.

3 Original work: Шелест Ганна, "Ирак: десять лет, которые мы потеряли", Зеркало Недели, 22 березня, 2013.

4 Original work: Чекаленко Л., Циватий В., Васильева М. "Турецька Республіка на початку ХХІ століття: традиції, зовнішньополітична стратегія, інституційна модель", Зовнішні справи. 1 (2014): 22 - 27.

eters long outlet to the Persian Gulf and growing dependence on Jordanian transit. In general Iraqi state shares 3,631 kilometres of challenging borders with six restive neighbours: Iran, Jordan, Kuwait, Saudi Arabia, Syria and Turkey (Iraq Business News 2013).

On the other hand, geopolitical position of 33,7- million Iraq is unfavorable and defines its dependency on neighbors in questions of crude oil transit and sharing of water resources. This country is situated within Mesopotamian ("Land between rivers") belt and along with Turkey and Syria heavily uses water of both transboundary waterways – the Tigris and Euphrates. Iraqi land area of 438 thousand square kilometres is populated disproportionately with the biggest number of people residing in southern and central parts of country and north-eastern regions. Shiites constitute around 65 percent of the population, Sunni Arabs and Kurds – 36 percent and other minorities like Christian Armenians, Assyrians and Yazidis represent the rest of Iraqis (Refworld 2015).

7,5-million capital city of Baghdad is situated in central part of Iraq near the Tigris. Thanks to narrow 58-kilometres long strip of land country has a limited access to the Gulf and port Umm Qasr. Another problem – a heavy reliance on 204-kilometres long and 2 – kilometers wide river Shatt al-Arab ("Arabian flow"), which is formed by the confluence of the Tigris and Euphrates thus shaping a part of the border with Iran. This strategic body of water is used to transport goods to the port area of Basra, known as "The Venice of the East" because of the numerous canals and the 19th century houses. Five ports of Basra are responsible for handling of 80 percent of oil export, and lion's share of Iraqi economy depends on the logistics of that city. Moreover, giant oil field "Rumaila" with a record daily output of 1,4 million barrels of oil is situated nearby (Al-Monitor 2013).

Iraq is considered one of the cradles of the Middle Eastern civilization and is famous for ancient cities Babylon, Ur, Lagash and Uruk as well as for sacred sites of Shia spiritual power in Karbala, Najaf and Kufa. Combined with Baghdad and Basra, they constitute great incentive to visit this country.

Despite considerable oil and gas resources, whose profits in state coffers can support different fields of economic activity with subsidies, production of food in the country is poorly developed. The region of Mesopotamia, as a cradle of farming, is well-known for arable land due to water availability of the two biggest rivers the Tigris and Euphrates and huge swamp area with millions of date trees in the South. Agriculture mainly connected to cultivation of wheat and barley with dates also playing important additional role. In the wake of 2003 invasion American interim administration removed restrictions on food import and as a result local producers suffered from the

fierce foreign competition. Moreover, the system of card rationing that was widely used by Saddam Hussein since 1995 to support the poor, was retained as a measure to feed the population during period of instability. Each person, covered by the program, was entitled to receive on a monthly basis 3 kg of rice, 2 kg of sugar, 9 kg of flour as well as tea leaves, beans and tomato paste (Global Arab Network 2009). Those generous hand-outs led to the purchase of huge volumes of food, permitted by the UN. Finally, neighbouring countries Turkey and Syria frequently diverted water of the Tigris and Euphrates for their industrial and agricultural needs and millions of hectares in Iraq were affected by desertification and strong seasonal dust storms. Today less than half of arable land is under cultivation. Main food imports include meat, cereals, sugar, fruits and vegetables, baby milk formula, wheat and rice. With unfolding conflict against Islamic State of Iraq and Syria, whose militants grabbed huge areas of productive land in the North-West, where wheat and barley were cultivated, the demand for products of agriculture continued to grow steadily (FAO 2014).

In 2008 the government presented “The agricultural initiative” that was intended to provide easy loans for farmers to the tune of 1,5 billion dollars. The program of palm trees replanting was also initiated. In 1960-es Iraq was the biggest producer of dates in the world with 32 million of palm trees in the use and their annual output constituted 1 million tones of fruits. Later the number of palms fell to 11 million due to heavy fighting during Iran-Iraq war and severe fuel crisis in the beginning of the 1990-es that forced local people to cut trees. But today the replanting measures are intended to increase the number of palms to 40 million and introduce the best varieties of dates in the world markets in order to enter into a strong competition with top producers in the Middle East (Reuters 2011). This is important, because during holy month of Ramadan believers in Muslim world consume only saturated with calories dates and water and Iraq is in position to export.

Iraqi economy demonstrated a dynamic growth in the years of post-war reconstruction, which was tightly connected to development of oil industry. The biggest fields are situated in Southern Iraq near Basra and in Kurdistan not far from the city of Kirkuk. In 2015 only southern regions of the country exported more than 3 million of barrels each day (Al Arabia 2015). It is important to note, that despite the brain-drain of young professionals during post-Saddam years this industry remains highly profitable. Southern and north-eastern districts of Iraq were relatively peaceful and MNCs operated here without major security concerns. The main oil terminals of Iraq are situated inside of the port area of Basra and in Khor Al Amaya near Al - Faw peninsula in the Gulf. Overall oil reserves include 153 billion barrels, what

puts Iraq on a fourth place in the world after Venezuela, Saudi Arabia and Iran (Oil Price 2017). However, some sources claim that Canada is the third largest country in respect to crude oil reserves. If to take into account all deposits of oil, gas and coal, Iraq can be considered the 7th richest country in the world with combined value of natural resources exceeding 18 trillion dollars (Insider 2014).

Import to Iraq is monopolized by the handful of neighbours like Turkey, Jordan and Iran, leading producers of consumer goods China and India, main weapons exporters the USA and the Russian Federation. For example, China, India and Turkey remain the top suppliers of garments and shoes, American companies sell weapons and engineering goods for oil industry while neighbouring states – the products of agriculture and building materials. Iraq buys grains from many countries around the world and rice, mainly from South Asian region. All this means that Iraq has become the victim of a “Dutch disease” that defines dependency of the country upon only one product – crude oil.

The recent Iraqi history is tragic and contributes to instability of the country. After American-British invasion of 2003 has ruined the rule of Saddam Hussein, the country was put under interim American administration with US army in the Sunni triangle, British troops controlling areas around Basra and other foreign soldiers – more peaceful regions in the North-East. In January of 2005 Iraqis wrote the Federal Constitution. Democratic elections in December 2005 under the new Basic Law allowed creating the permanent Council of Representatives and coalitional government. The Constitution envisages that parties nominate candidates for the lower house of the Parliament before elections, which after victory create a ruling coalition in the Council of Representatives and chose the powerful Prime Minister. The President remains largely ceremonial figure, standing above political fights, but with the right to rule by decrees in case of necessity. As a result, in 2005 hawkish Shia politician Nouri al-Maliki became the Prime Minister; the position of the President was awarded to a seasoned Kurdish statesman Jalal Talabani and that of the Vice President – to Sunni Tariq al-Hashimi. This complicated of political system was proposed by American authorities in order to reconcile different ethnic and religious groups, but there were no checks in place to protect the interests of minorities (Al-Monitor 2012). Inside of prestigious Al-Tashri district, full of palaces of Saddam Hussein and houses of wealthy Iraqis, American troops created the “Green Zone” with checkpoints and road-blocks – the secure area within 10 square kilometers of central Baghdad, where the government buildings and the US embassy function today without the constant threat of major terrorist acts (Al-Monitor 2013).

The ties of Iraq and the USA, which shaped a post-war order in the country, were complex and controversial. In 2008 both sides signed Strategic Framework Agreement, intended to regulate: the main principles of political relations; close defence cooperation; cultural and educational exchanges; facilitation of Iraqi development⁵. After the withdrawal of the bulk of troops Americans continued to provide Iraq with assistance of military advisers. To-day the USA remains a primary supplier of weapons to Iraq. It was revealed by the State Department that since 2005 Iraqi authorities bought from US companies 3300 “Hellfire” missiles, 30 000 120-mm tank rounds, 146 M1A1 “Abrams” Main Battle Tanks; 36 F-16 fighters; 24 IA 407 helicopters; and 9 C-130 cargo aircraft (US State Department 2015).

But political relations are constantly strained because of Washington’s negative attitude towards Iran and Syrian regime of Bashar al-Assad. Iraq also continues to buy Russian weapons, among them – the brand-new attack helicopters Mi-28 and Mi-35 as well as SU-25 second-hand aircraft for close air support (Your Middle East 2014). Moreover, official Baghdad blames the US for the de-facto creation and support of Kurdish autonomy in the North. During the rule of Saddam Hussein in the 90-es the lone superpower declared the no-fly zone over Northern Iraq and helped to equip and arm Kurdish military units – Peshmerga, which today constitute 130 thousand of soldiers (National Post 2015). Several MNCs with American registration are also active in lucrative oil industry of Kurdistan.

Despite all this, the USA remains a principal donor of Iraqi regime and supports the unity of country financially, what is necessary for the stability of the Greater Middle East. For example, Americans has already contributed more than 60 billion dollars to Iraqi reconstruction, which became their second largest program of bilateral assistance after the one in Afghanistan. Within this amount 20 billion were allocated to train and equip the units of Iraqi army, to provide Iraqis with military transportation vehicles and small arms (Huffington Post 2013).

The American assistance was essential, but influence of official Washington could not prevent the civil war, facilitated by religious differences between Shia and Sunni population. Despite all odds, the regime of Saddam Hussein (1979-2003) provided the relative stability to Iraq thanks to severe repressions and domination of Ba’ath Party in political life along with the tireless «work» of the secret service Al-Mukhabarat. The state ideology stipulated that there were no ethnic or religious divisions, since all Iraqi citizens

5 “Strategic framework agreement for a Relationship of Friendship and Cooperation between the United States of America and the Republic of Iraq”. November 17, 2008. <http://photos.state.gov/libraries/iraq/216651/US-IRAQ/us-iraq-sfa-en.pdf>. Accessed on February 25, 2017.

represented the unique heirs of great Babylonian civilization and people from the neighbouring countries were inferior to them. In order to protect cultural heritage Saddam ordered to rebuild and renovate ancient sites. State propaganda declared the head of Iraqi state as a direct successor of Babylonian kings. He was compared to Saladin and King Nebuchadnezzar, famous for their victories over Jews (PRI 2003). His policy favoured members of Sunni community and religious minorities in important state positions (for example, it is widely known that the longest-serving Deputy Prime Minister Tariq Aziz was a Christian), security apparatus and armed forces. Moreover, Shia holidays, public manifestations of this religion and pilgrimages were prohibited. Simultaneously state forces fought against Kurdish rebels in the North and Northeast using chemical weapons and indiscriminate bombings of mountainous villages.

The decision of the President George H.W. Bush not to invade Iraq after successful military campaign in Kuwait in 1991, taken under the direct pressure of Saudi King Fahd, deepened sufferings of Shia majority that organized rebellion against Saddam Hussein in the aftermath of “Desert Storm” and was defeated with tanks and helicopters of Iraqi National Guard. The casualties of Shia people were in the range of 30,000-50,000 and 20,000 Kurds were also probably killed in Iraqi Kurdistan. Thus the first Arab Spring of 1991 ended up in a crushing defeat (Council on Foreign Relations 2016). The reluctance of the US President to provide assistance to the members of resistance caused a deep distrust towards official Washington among Shia majority and those painful memories are still alive among Iraqis. So, Iraqi Shiites were searching for revenge against privileged Sunni minority that silently supported the policy of Saddam Hussein.

After the invasion of 2003 ethno-religious balance of powers has fundamentally changed. In the last days of Saddam’s regime military depots were robbed by ordinary people and many soldiers deserted army with their weapons in anticipation of American occupation. In May of 2003 Hussain ordered the head of Central Bank of Iraq to hand over to his men 1 billion dollars in order to support Sunni insurgency. The money was taken away in 3 huge trucks and part of it disappeared without trace (Roberts 2003). Thus Iraq with a high level of unemployment and great resentment of population towards foreign “infidels” and “new crusaders” was awash with weapons and former militaries mainly of Sunni origin that lost their jobs got hold of it.

In 2006 the new Prime Minister Nouri al-Maliki and his allies initiated campaign of removing of Iraqis of Sunni belief from the positions of state power under the pretext of banishing of former supporters of Ba’ath Party from the public life. Many innocent people lost their lucrative state

jobs, others were detained for a prolonged periods of time without a charge or were charged with terrorism and «membership» in death squads. Maliki also did not honour his promise to Americans to integrate previously unemployed Sunnis into government institutions. Scared by threats of the President George W. Bush-Junior, regional countries Syria and Iran contributed to instability in Iraq, providing their support to guerillas, which fought against American and British troops respectively in the Sunni triangle and in the South. Their objective was to intimidate soldiers in those areas and set public opinion in Western countries against further interventions due to the high number of casualties. The ambushes against military convoys and planting of improvised explosive devices near roads, in carcasses of dead animals or inside of mud walls of nearby houses became very common. The US army reacted with introduction of drones and robots, the purchases of thousands of mine-resistant ambush protected vehicles and equipment for the disruption of signals between the planted bomb and terrorists with remote controls (Military Technology 2010).

Saddam Hussein's capture and his humiliating execution by hanging in December 2006, accompanied by nationwide celebrations of Shiites, was considered by Sunni population as a revenge, however, Americans had hoped for a new and peaceful era in Iraq. Subsequently by the end of 2006 and in 2007 clashes of both biggest sectarian groups led to a civil war with gunmen taking control over different parts of Baghdad. In 2007 British troops transferred responsibility for Basra area to Iraqi army and Americans. The US armed forces, whose line of defense became vulnerable, finally evacuated their soldiers from the country in 2011. After the withdrawal of foreign troops Maliki immediately initiated a persecution of the popular Vice President Tariq al-Hashimi of Sunni belief and forced him to leave Iraq. He was sentenced to death in absentia (Rudaw 2016). The round-up of Sunni politicians and assassination of their bodyguards by state's security forces also became very common. The groups of gunmen routinely kidnapped people in affluent districts and demand ransom for their life or forcibly transported young girls to other countries for a sexual slavery.

In this background civil war in Syria has a direct influence on events in Iraq. Iraqi Sunni rebels enter neighbouring country from the largest Anbar governorate, which simultaneously borders Syria, Jordan and Saudi Arabia in desert areas, and return later to ambush Iraqi security forces in acts of cross-border terrorism. In winter 2012 79-years old President Jalal Talabani had to leave Baghdad for German hospital with a stroke and sectarian violence became endemic. In July 2014 he was substituted with seasoned Kurdish politician and the former speaker of the Parliament Fuad Masum. But the death

toll continued to climb. Only in 2016 6,878 people were killed and 12,388 wounded across the country (Fox News 2017).

Why the violence became so widespread? As it was expected, American administration dismissed the army of Saddam Hussein, which was one of the biggest in the world. Thus tens of hundreds of veteran officers lost their jobs in the country over-reliant on oil industry. The Prime-Minister Nuri Al-Maliki decided to put his thrust into Shia commanders and never returned to the prominent positions their Sunni counterparts, thus forcing them to turn to arms in the country with high level of unemployment. Many of those people later joined the ranks of Islamic State in order to exert revenge on the regime. It was estimated that immediately after the fall of Saddam interim American administration disbanded 385,000 members of armed forces, 285,000 police officers and 50,000 trained guards from presidential security units (Policy Analysis 2008).

Rival militias practice different patterns of violence because the state power is concentrated in the hands of Shia majority. Usually Shia paramilitary troops or soldiers stop young or middle-aged Sunni people near the road-blocks and kill them. On the other hand, Sunni terrorists are retaliating with powerful blasts in the central areas of brisk bazars, in mosques or during Shia funeral processions. To this end they widely use car- and truck bombs or improvised explosive devices. The principal targets are pilgrims, which visit sacred cities of Najaf and Karbala during religious holidays. Many local and foreign correspondents are also caught in the crossfire. Since 2003 267 journalists died in Iraq and this country remains the most dangerous place for workers of mass-media in the world (Committee to Protect Journalists 2013).

Under the present political tensions the relations of Iraq with neighbours may play a stabilizing role. But the ties of official Baghdad with Turkey remain controversial because of water sharing rights and Kurdish issue since Kurds constitute 25 percent of Turkish population and there is also a sizeable Turkmen minority in Northern Iraq, which is important for Turkey. Both countries share the 331-kilometers long common border. South-Eastern Anatolia is a home to Turkish Kurds, whose relatives also live in Northern Iraq. Turkish companies took an active part in reconstruction of the country after the Gulf War of 1980-1988. Later international sanctions against the regime of Saddam Hussein made usual cooperation impossible but caused a considerable rise in smuggling with Turkish authorities turning a blind eye towards it. Official Ankara opposed the U.S.-led invasion to Iraq in 2003 and feared that the fall of Hussein's regime would lead to the creation of independent Kurdish state as a role model and a magnet for her own restive Kurds. But after the end of hostilities that country decided to capitalize on urgent postwar

needs of Northern Iraq in housing and infrastructure sectors as well as in agricultural products. Moreover, Turkey with one of the largest economies in the Middle East and exorbitant fuel prices is striving to play the role of “energy hub” between Asia and Europe and major tourist destination among top ten tourist markets, thus common border with energy-rich Iraq once again became useful (Hurriyet Daily News 2013).

The relations of Iraq with Turkey have a strong Kurdish connection. Kurdistan is a special region in North-Eastern Iraq with land area of 40,6 thousand square kilometers. Kurdish Regional Government (KRG) enjoys considerable autonomy and support of Peshmerga. There are several universities and two big airports in Erbil and Suleymaniyah, what allows region to be a principal hub of education and tourism for Kurds from other countries. The former Turkish Prime Minister Recep Tayyip Erdo an established direct ties with KRG in order to satisfy needs of his country in oil and force official Erbil to take harsh measures against guerillas from “Kurdistan Workers Party” (PKK), who were waging cross-border operations against Turkish soldiers and hiding in mountains of Kandil. Until summer of 2014 Kurdistan remained a relatively stable place with small number of terrorist acts and favorable investment climate. As a result, in 2010-2012 KRG concluded 40 contracts with MNCs, among them were many Turkish companies (Kurdistan Board of Investment 2016).

The regional capital of Erbil (popular Kurdish name Hawler), situated 355 kilometers away from Baghdad in the far north-eastern corner of the country, is turning into a new Middle Eastern cultural and business centre with the opening of many shopping malls and brand hotels. Under the investment law of 2006 foreign entities are exempted from taxes on imports and profits during the first 10 years of their activity, eligible to own plots of land and repatriate money without any difficulties (China Daily 2013). In 2014 this city with citadel and mosques in Ottoman architectural style became for the first time the Capital for Arab Tourism. It attained the victory by promising to organize 40 types of cultural activities (Kurdistan Regional Government 2012). The new status facilitated the creation of infrastructure by Turkish and Lebanese construction companies that had considerable experience in this field. Today Erbil boasts modern roads, shops, hotels and residential condominiums, but because of the war with Islamic State it is overpopulated with refugees from neighboring Mosul situated 80 kilometers away.

80 percent of goods in Kurdistan are of Turkish origin because industry here is not developed since the times of Saddam Hussein, who feared independence of Kurds and their economic ties with Iran. Local smugglers (khajakji) are also making considerable profits capitalizing on the border

trade. This region remains the main zone of gasoline contraband by trucks and cars taking into consideration that prices of fuel in Turkey are exorbitant due to high taxes and lack of own oil resources. Unemployed Turks from Eastern Anatolia arrive here in a search of jobs in construction industry or in newly opened hotels. The need to import fruits and vegetables, cooking oil, cereals, goods and building materials by not diversified economy of oil-rich Iraq turned Turkey with a developed textile industry and record harvests of wheat, oranges, lemons and nuts into one of the main trading partners of official Baghdad. For Ankara Iraq also remains the second biggest provider of import commodities only after Germany. In 2013 around 1000 companies from this country were present in Iraqi Kurdistan and 70 percent of Turkish trade with Iraq was consumed by this northern region (RT 2013).

In summer of 2009 Kurdistan renewed export of oil to Turkey via famous 950-kilometres long pipeline Kirkuk–Ceyhan with a volume of 640 thousand barrels. Official Baghdad were dead set against separate deals of Kurdish government with Ankara, because Iraqi leadership wanted to control payments for oil and give to Kurds their share of 17 per cent only from the central treasury account (Arab News 2013). In 2014 the new pipeline with the capacity of 1 million barrels also commenced work towards the Mediterranean terminal near the city of Ceyhan, using «black gold» from Taq Taq and Takwe fields. Iraqi Kurds demand a direct access to international markets and intend to show to their international partners that they can deal with big powers on their own (Hawler Times 2014). On the other hand, Iraqi leadership limits activities of Turkish companies in southern and central Iraq as a revenge for their growing role in oil industry of Kurdistan and unwarranted incursions of Turkish army into Iraq. As a result, Kurds are gaining more and more powers in Iraq and are trying to insulate themselves from civil between Sunni and Shia fractions by developing close economic ties with Turkey. Iraqi state also loses considerable custom duties due to prolific contraband trade in northern region and oil-rich city of Kirkuk was in hands of Peshmerga since 2014, when Kurdish units entered the area in order to protect oil installations against Islamic State.

Despite all this, the moves of Kurds towards independence were put on hold by invasion to their land by Islamic State and today they are forced to cooperate with central Iraqi government in order to confront this threat. Moreover, low oil prices of the two previous years caused a severe economic crisis in Kurdistan and less and less people want independence from Iraq despite huge oil reserves of 45 billion barrels (Rudaw 2017). However, Kurdish political elite still hopes to organize referendum on independence somewhere in September of 2017 or 2018 after the final defeat of ISIS.

The restive neighbours also share unresolved water problem. The Euphrates and Tigris are among famous historic rivers in the world along with the sacred Nile, because they represent the cradle of the Middle Eastern civilization with ancient cities, where many important world-class inventions were born. Both originate in Turkish Anatolia and Turkey controls respectively 89 and 52 per cent of their flow (Brown Political Review 2016). Unfortunately for Iraq, authorities in Turkey extensively use water to appease own Kurds with development of agriculture, fisheries and generation of electricity in the places where they live. The representatives of this minority constitute a quarter of Turkish population and consider the ancient city of Diyarbakir with 600 thousand people as their regional hub. Southeastern Anatolia Project (GAP Güneydou Anadolu Projesi) means the construction of 22 hydroelectric dams on the Tigris and Euphrates in nine Turkish provinces, what would add 1,82 million hectares of arable land and create at least 4 million jobs. The implementation of GAP commenced only in 1980-es and is expected to cost 32 billion dollars after the completion. As a result, low riparian states experience a considerable deficit of water and border river Shatt al-Arab suffers from high level of salinity. By agreement between both countries in 1984 Turkey should allow a 500 cubic meters per second of water to flow into Iraq, but official Ankara with second largest army in the NATO does not honour it, knowing that such a weak neighbour is not in a position to influence her behaviour with coercive diplomacy (Ministry of Foreign Affairs of Turkey 2016).

Several outstanding events in the region also added to the mistrust between neighbours. In 2011 Recep Tayyip Erdoğan decided to support Sunni groups in Syria in a civil war against representative of Alawites Bashar al-Assad. On the contrary, Nuri al-Maliki sided with the regime despite the fact that Syrian president encouraged sectarian violence in Iraq during American occupation (Al-Monitor 2013). However, both countries are allies in question of independence of Iraqi Kurdistan, since official Ankara is deadly set against it and supports the sovereignty of Iraq.

Iraq, where Shia population constitutes a majority, tries hard to rebuild relations with powerful eastern neighbor Iran. Both countries are divided by 1468 -kilometres of border, partially formed by the strategic river Shatt al-Arab. During the longest conventional war of XX century 1 million people died in Iran and 0,5 million in Iraq (Black 2010). Hundreds of ships sunk in Shatt al-Arab and their debris limited the traffic of cargo via the waterway. The war was encouraged and financially supported by Saudi Arabia and smaller emirates of the Gulf, interested in the mutual weakening of the two strongest coastal states of the region. As it is widely known, the conflict came to a standstill, because more populated Iran with scattered around huge land area stra-

tegic cities and indoctrinated by the Islamic Revolution Shia people, willing to fight fanatically for Ayatollah Khomeini and die for a place in a Paradise, could not prevail over better technically equipped by the Soviet Union and France, and aided by “collective” Gulf petrodollars Iraq.

The rise to power of long neglected Shia majority of Iraq after 2003 created the necessary preconditions for improvement of relations with an old adversary. Official Tehran also engaged in clandestine diplomacy, trying to unite different Shia parties and finance activities of influential religious preachers in Iraq. In times dangerous Saddam’s rule Iranians traditionally provided the safehavens to well-known Shia politicians or preachers from Iraq, which today belong to the ranks of political and religious elite. In this case it is important to note that the late Prime Minister Nuri al-Maliki, religious leaders Muqtada Al-Sadr and Ayatollah Ali Al-Sistani all resided in Iran during the rule of Saddam Hussein, hiding from the persecution of his security service (Heydarian 2012).

The late President Mahmud Ahmedinejad visited Baghdad in 2008 and Nuri al-Maliki paid back with four official visits during his tenure in office. The trade volume in 2014 exceeded 12 billion dollars. Iranian companies supplied Iraqi consumers with fresh and canned food, soft drinks, meat, vegetable oil, fruits and spices, household items and electrical appliances, carpets, cars of “Iran Khodro” and “SAIPA”, building materials like cheap cement, and some products of metallurgy (Xinhuanet 2015). This country has much more diversified economy than Iraq, what, together with geographic proximity of it and a cheap gas from nearby giant Southern Pars field, created necessary preconditions for the development of trade. Before 2015 Iraqi banks provided assistance to their Iranian counterparts in circumvention of international sanctions and Iraqi oil traders also mixed oil from Iran with their own and sold it abroad (Voice of America 2012).

Iraqi economy and population are facing the acute shortages of electricity. On July of 2013, Iran signed the agreement with official Baghdad to supply natural gas for use in power plants. Based on it, 25 million cubic meters of blue fuel would be delivered from Southern Pars giant fields to such installations in Sadr, Baghdad and al-Mansouryah through a 270-kilometers long pipeline. However, Sunni terrorists frequently attack Iranian workers, which carry out this project on Iraqi territory (Paywand 2013). In general, power generation in the country is not sufficient. Local consumers will get from Iranian sources additional 3000 MW, but today they rely only on 8500 MW (Press TV 2016). Somewhere in the future official Tehran wants to turn Iraq into the regional hub for a distribution of the electricity to nearby Levant neighbours Syria and Lebanon. All those projects and considerable trade in-

terests forced Iraqi leadership to vehemently oppose international sanctions against Iranian nuclear program, despite gains of Iraq in international markets, caused by temporary absence of oil from Iran.

Both countries are also striving to develop religious tourism. Holy cities of Nippur, Najaf and Karbala are situated not far away from Baghdad and considered sacred for Shia population. Karbala is important because it gives pilgrims the access to the shrine of Imam Hussein, who was the grandson of the Prophet Muhammad. Religious people in Iraq, which belong to Shia belief, turn their faces during daily prayers to Karbala, but not to Makkah. Another sacred mausoleum of a huge symbolic importance – the mazar of Shiites' first Imam Ali in the holy city of Najaf. In 2008 Iranian companies built the airport for pilgrims near Najaf and also created the net of paved roads between Basra and south-western Iran. Last year around 18 million people made pilgrimages to Karbala with substantial number of them – Iranians (France 24.com 2013). However, the interstate tourism did not develop well because of weak Iranian rial. Additionally, Sunni terrorists target buses of religious tourists with car bombs or stop them near false roadblocks in order to shoot down all passengers. On the other hand, Iranian sacred cities of Qom and Mashhad attract Iraqi Shia believers due to their complete safety. Iraqis are paying considerable amounts for rooms in hotels and also buying religious souvenirs. The poor people can travel here from Iraq free of charge thanks to assistance of Iranian government (Boston Globe 2007).

Neighbours are also looking for a wider energy partnership in a regional context. In 2009 President Mahmoud Ahmadinejad proposed to build a 1500-kilometres long pipeline Iran – Iraq – Syria and to construct afterwards a huge LNG terminal on Syrian shore in order to sell gas to Western Europe via the Mediterranean Sea. This would enable Iran to export blue fuel from Southern Pars fields through Syria and gain the direct access to European markets. In 2011 both sides signed respective agreement in city of Busher and decided to allocate 10 billion dollars in order to implement it (Tehran Times 2011). Many political observers believe that strong support of Sunni insurgents in Syria by Qatar, as the largest LNG supplier in the world, is caused by intention of official Doha to prevent the rival project from implementation. Neighboring countries also share the similar position on a civil war in Syria. The late Prime Minister Nuri al-Maliki suspected that rebellious Sunni in Iraq received weapons and support from their counterparts in Syria and that the fall of Bashar al-Assad would contribute to the instability of Iraq and help terrorists to create a fundamentalist state in the Sunni triangle of Central Iraq. As for Iran, Damascus-controlled areas remain an important land bridge to Southern Lebanon, where influential Shia political group «Hezbollah» is

active. Because of official Tehran support with weapons and money for charity social networks, Shia-based “Hezbollah” can be considered a formidable fighting force in confrontation with Israel and relatively successful economic project of distribution of aid to the poor that increases the prestige of Iran in the Middle East and demonstrates the weakness of Saudi Arabia in Lebanon. Therefore Iran sent tens of thousands of volunteers into Iraq and Syria to beef up the campaign against Islamic State and more moderate Islamists groups.

However, the relations of both neighbours are also characterized by chronic problems, inherited from the Gulf war of 1980-1988. In January of 1991 Saddam Hussein ordered his pilots to fly 130 advanced mainly Soviet-made fighters of Iraqi air force to Iranian airfields in order to prevent their destruction by the US aviation during the operation “Desert Storm”. Unfortunately, official Tehran steadily refused to return those planes till 2014 when the threat of Islamic State to Iraqi stability became evident (Middle East Monitor 2014). Emboldened by example of Kuwait, Iranian leadership also wants to get a compensation for considerable economic losses from the warfare. Iraq paid to Kuwait 47,8 billion out of 52,4 billion dollars claim for the occupation of 1990-1991 and postponed the final payment because of dire economic situation (Bas 2016). However, official Baghdad still not ready to satisfy much bigger demands of eastern neighbour. Both sides also failed to find out what happened to thousands of missing soldiers in eight years-long conflict. Finally, secular-minded Iraqis do not want to follow the model of state power of Iran, based on domination of the spiritual leader – Rahbar and associated with him religious circles, preferring instead a “Bosnian type” political system with a strong Parliament. Moreover, the majority of population of Iraq is represented by Arabs, whereas in Iran they constitute a small minority of all citizens mainly in oil-rich border region of Khuzestan and in isolated Sistan and Balochistan. Iraq also capitalized on international sanctions against Iran and increased export of crude oil to traditional Iranian markets like China and India (Antiwar.com 2008). Despite all this the threat of creation of a fundamentalist state in Iraq remains potent and Iran had to react by refusing to protect the under-fire late Prime Minister Maliki from his political opponents and clandestinely endorsing the US strikes in Iraq against radical Islamists.

The relations with Jordan as the outlet to the Red Sea for Western Iraq, also remain important for the country, which shares with it 181-kilometers long border. The Hashemite family, whose members ruled as monarchs in both states until 1958 coup in Baghdad, historically linked Jordan and Iraq. Longtime Jordanian King Hussein was afraid of powerful Saddam Hussein and did his best not to alienate him, taking into consideration that 60 percent of country’s population were represented by the former refugees Palestini-

ans, who strongly supported the Iraqi invasion into Kuwait in the summer of 1990. As a result, Jordan silently sided with Iraq during occupation of Kuwait in 1990-1991 and thus became isolated in the Arab world. In 1994 King Hussein was forced to agree to peace treaty with Israel in order to overcome the economic crisis and receive the US assistance and preferences in textile export. Later this country was turned into the hotbed of trafficking, because insulated by international sanctions Iraq needed many consumer goods, thus a highway between Jordan and Iraq entertained the caravans of trucks in the 1990s. In turn, Iraq under Saddam Hussein supplied the oil to Jordan at fixed cheap prices and continues to do so today under other rulers. The safe and stable desert country also provided banking, business and hotel services for Western MNCs, hesitant to operate in a dangerous Iraqi environment directly (Kelidar and Susser 1996).

Jordanian capital Amman is considered the hub of international humanitarian organizations dealing with refugees from Syria and Iraq. Fruits, olives and vegetables (mainly tomatoes and lettuce) from the fertile valley of river Jordan are transported to Baghdad and Western Iraq on a daily basis. Free economic zones in Jordan also sell their industrial goods (vehicles and automotive parts, fertilizers for agriculture) mainly to underdeveloped Iraq, which in turn continues to trade in oil (Middle East online 2015).

In 2013 both sides entered into a free trade agreement and agreed to build a crude oil pipeline from Iraq to the Red Sea in order to bypass unreliable Turkey and avoid the dangers of Strait of Hormuz. The 1,680-kilometres long facility is intended to transport 2,25 million barrels of crude oil per day from region of Basra to Anbar governorate and then downwards towards the port of Aqaba. Jordanian economy is heavily dependent on imported energy from Saudi Arabia and suffered because of the shortages of Egyptian gas during and after the Arab Spring, therefore such a diversification is important. Those countries also consider using their respective territories in order to redirect a possible gas pipeline Iran Iraq Syria instead of a war-ridden Syria to the safe coast of the Red Sea by constructing a dual oil-gas pipeline (Hürriyet Daily News 2013). Taking into consideration that Egypt is a neighbour of Jordan, Jordanian territory can be used as conduit for Iraqi oil destined to Egyptian consumers.

Jordan hosts around 500 thousand of Iraqi refugees, but unfortunately those people are not eligible to work, despite the fact that they are getting a decent healthcare services and education. Iraqi governorate of Anbar with total land area of 138 thousand square kilometers also serves as a main transit zone for Syrian refugees, who are striving to enter Jordan along with the residents of Central Iraq (Open Democracy 2012). Official Amman is inter-

ested in stability of Iraq and is deadly set against a civil war there, because it threatens with a flood of refugees to the desert country, partly populated by Palestinians, who left West Bank of river Jordan during several Arab-Israeli wars. The Americans trained the thousands of Iraqi troops and policemen in a relatively safe Jordan. Today Jordanians agreed to do this job themselves and promise a full counter-terrorism support to their Iraqi counterparts (Iraq Business News 2014). As the analysis shows, only weaker regional states like Jordan and Kuwait can be reliable partners of official Baghdad.

Among all neighbours of Iraq official Baghdad has most controversial relations with Saudi Arabia that shares with the Republic 841 kilometers-long border in the desert. The conservative Kingdom was threatened by the rise to power in Iraq of Ba'ath Party in 1968, however, during the long war between Iran and Iraq official Riyadh provided the regime of Saddam Hussein with credits to the tune of 15 billion dollars (in 2007 the Kingdom agreed to write off 80 per cent of the debt under direct US pressure) in order to sustain the war effort of Iraq and cripple Iranian capability to "export" Shia revolution to the oil-rich Saudi regions near eastern city of Dammam (Mufson and Wright 2007). After Iraqi invasion of Kuwait this country welcomed protective American troops during the operation "Desert Shield" and lately actively participated in the operation "Desert Storm". However, when President George W. Bush-Junior decided to invade Iraq in 2003, Saudi King was deadly set against it, believing that such a strategic mistake might result in a return of Shia majority to the positions of state power. Later Iraqi officials frequently accused Saudi Arabia and Qatar of financing "Al-Qaeda" outfits in Iraq and simultaneously underlined that private individuals from the royal Saudi family were mainly behind such assistance (Alalam 2013).

The distrust between partners is evident in a small trade turnout and absence of high level visits. Saudi Arabia did not open an embassy in Baghdad till 2016 and her ambassador to Jordan represented the Kingdom's interests in Iraq, thus the options for communication were limited. Moreover, Saudi workers also are erecting 965-kilometers long security fence with a razor wire close to the border with Iraq. The "smart wall" will be later equipped with sensors of movement and watchtowers and should protect country against ISIL incursions (Trade Arabia 2015). Today the Kingdom does not have funds to deepen its influence in Iraq since it plagued by low oil prices and war in Yemen.

The year of 2014 brought crucial changes to regional geopolitical situation. In the beginning of it central Anbar governorate became a flashpoint between Iraqi armed forces and Sunni militants who occupied administrative buildings and police stations in the biggest cities of Ramadi and Fallujah.

Those events showed that Iraqi leadership always had problem with Western part of the country because of Sunni composition of its population. During previous years “Al-Qaeda” has learned to exploit the distrust of the residents of the Sunni triangle towards Shia domination in the government to expand its activities in the area (AINA 2014). But the troubles in Anbar became less important when militants from Islamic State of Iraq and Levant rapidly occupied parts of northern and central Iraq in the summer of 2014, including the second biggest in Iraq city of Mosul with 2 million residents. The far more superior forces of Iraqi soldiers run away, leaving behind such expensive American military equipment as 2300 “Humvees”, main battle tanks “Abrams” and numerous artillery pieces (Buren 2017).

The rise of radical Islam in Syria can be considered as a game-changer for all regional powers because of its strong transborder influence. Islamic State, whose top members are former officers of Saddam Hussein, exploited the underrepresented Sunni minority in Iraq in order to recruit more young and middle-aged followers and became the most numerous group among Syrian resistance and the power to reckon with in the Sunni triangle of Iraq. For a long time the Syrian President Bashar al-Assad allowed Islamic State to increase its strength by prohibiting bombing the militants from the air in order to pit them against more moderate factions and force Western countries to choose a “lesser evil” between his well-known secular regime and a new Islamist threat. The growing presence of ISIL in Syria and Iraq is dangerous for Saudi Arabia and Turkey as well (Al-Monitor 2016).

Since 8th August 2014 the American fighter jets conduct a campaign of airstrikes intended to stop assault of militants and push them away from the strategic positions in the North. But without reconciliation between Sunni and Shia fractions in Iraq the civil war will drag on forever. In August 2014 Nuri al-Maliki finally stepped down and the interim Prime-Minister and technocrat Haider al-Abadi introduced a new government. He declared his intention to improve relations with all neighbours including Saudi Arabia and Turkey. External threat may unite different communities in Iraq with a purpose of taking united stand against Islamist intruders (Press TV 2014). However, ISIL members and other representatives of religious militia already control many border crossings of Iraq and Syria. Moreover, they easily found new recruits among jobless young people in both countries. Local armed forces struggle in a fight against the militants but the US airstrikes from Turkish base of Incirlik made a real difference and did not allow ISIL militants to attack with considerable forces and to use long column of the cars and trucks. Iran also sent drones and paramilitary troops in order to assist Iraq in war against rebels. Jordan joined US-led coalition and contributed to its efforts

with old fighter jets F-16.

Today Iraq faces challenges of ISIL, drop in agriculture output and low oil prices, so the country should diversify the economy in order not to fall prey to the “Dutch disease”. 70 percent of Iraq’s 2015 budget was used to pay for a rising food import, military expenses and considerable energy subsidies. The agriculture deteriorates not only because of the war, but also as a result of neglect. In 2015 only 15 per cent of land areas of Iraq were under cultivation, what defined high levels of unemployment in the countryside (Nasrawi 2015). The economic problems are aggravated by overwhelming dependence on oil and huge state apparatus, fed by petrodollars. 7 million people in Iraq are state employees and need wages of around 4 billion dollars a month in order to work. At the same time the whole Iraqi budget constituted in 2016 only 87 billion dollars (Rudaw 2016).

The decision of official Baghdad to support Russian campaign in Syria may aggravate problems in relations with the USA. Russian cargo planes are using Iraqi airspace to deliver weapons and ammunition to Syria. Iraq also agreed to share a vital intelligence with Iran and Russia to observe the activities of Islamic State and Russian military specialists opened their office in Baghdad. The Prime Minister Haider al-Abadi decided to join hands with Iran, Russia and Hezbollah in order to prop up the regime of Assad (Al-Rashed 2015). All this may lead to deterioration of American assistance to Iraq, whose weapons of army are predominantly made in the USA. Meanwhile in December 2015, Iraqi armed forces finally dislodged ISIL from Ramadi with USA air support, thus isolating terrorists in Central Iraq and gaining the first considerable victory over group, which also have lost 30 percent of territory of their caliphate in Iraq (Al Arabiya 2015).

In the end of 2016 Iraqi leadership decided to return control over Mosul, because each year under occupation swells ranks of Islamic State. The siege of Mosul, as the largest military operation in post-Saddam Iraq, appeared to be very complicated. Iraqi army and the allied units constituted around 100 thousand soldiers against 8-10 thousand militants, who increasingly used car bombs, snipers and street ambushes hiding behind civilian population and mud walls. The blow to ISIS after the victory of Iraqi army will be strong since this terrorist organization proclaimed the city a capital of its state in Iraq and even produced rockets, bombs and shells within the city at a large scale (Middle East Eye 2017). Moreover, in October 2017 Iraqi government was in position to wrestle Kirkuk from the hands of Peshmerga after population in Iraqi Kurdistan voted for independence during referendum of 25 September (Reuters 2017). However, many future developments in Iraq will depend on the ability of the state to reintegrate the second largest city in

political and economic life and find a common ground with Kurds.

Conclusion

Iraq has never experienced a prolonged democratic rule and Shia majority considered the demise of the regime of Saddam Hussein as a situation of “winner takes it all” through the process of legitimate elections and following purges of Sunni representatives from state jobs along with their persecution, what caused the civil war on sectarian grounds and facilitated the strategic shift of authorities in Iraqi Kurdistan towards Turkey. Simultaneously post-Saddam state failed to avoid the “Dutch disease” of crude oil dependence.

This created a problem of unemployment that in turn led to even a greater animosity between Sunni, Shia people and Kurds on the background of constant interference in Iraqi affairs of powerful neighbours. The unfavorable geopolitical conditions of Iraq, the links of three major groups of population to destructive external state and non-state actors and overwhelming reliance on crude oil define the status of the country as a failed state, but it is still possible to confront those threats with assistance of world powers that have a stake in Iraqi stability.

The transition towards modern democratic state of Iraq became impossible without national unity in the country, where state repression of rivaling religious groups is a norm of life. US-led reforms brought to power Shia majority, which heavily suffered under the rule of Saddam Hussein and considered electoral victory as a suitable opportunity exert revenge on their Sunni counterparts at the expense of democracy. Main Iraqi donors failed to introduce important safeguards of the political rights of minorities by conditioning their aid on bilateral and multilateral levels to a proper distribution of the state power on the strict basis of population strength of every ethno-religious group except Kurds, which get their 17 percent share from the budget. Iraqi state under Saddam was among most heavily militarized in the world and weapons of Iraqi army became widely available after 2003 and following mass purges of army and police by interim American administration, what allowed Sunni minority to stand up against Shia majority in a civil war. The heavy dependence on oil defines the existence of huge state sector in Iraq and lack of jobs in marginalized areas of the Sunni triangle, where crude oil and gas are absent. Because of marginalization in political and economic life Sunni people have little choice but to resist. De-facto divided in three parts Iraq plagued with a chronic problem of national unity and neighbouring Turkey together with Saudi Arabia aggravate it by their policy of interference, aimed

at support of Sunni minority or at cutting of separate economic deals with oil-rich Iraqi Kurdistan. The inconclusive policy of the USA in Syria under Barack Obama aggravated the situation even further. In this environment Iraq had to rely on Iran, despite the tense history of relations in the 1980-es and number of unresolved questions of bilateral nature. But the real challenge for political elite can be seen in bridging the gap between Sunni, Shia people and Kurds, because poisonous atmosphere of sectarian violence precludes normal development of the oil-rich country and threatens it with even a deeper division – to the point of creation of three separate states. The only way to save the country is to guarantee just representation of all religious and ethnic groups in state apparatus and lucrative oil industry, to diversify economy away from oil towards tourism industry inspired by Turkish example, fertilizers, steel and aluminium as well as other industries with added value, agriculture, and transport services. Turkey, Morocco and the UAE can be considered as models of diversified development for failing Iraqi state that still has the capacity to avoid the worst case scenario.

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ABSTRACT

The article analyses political and economic processes in Iraq after the demise of Saddam Hussein's regime, evaluates the efficiency of post-war reconstruction of this Arab country in security and economic fields, singles out the reasons behind the civil war between Sunni and Shia followers, explains the paradox of semi-independent status of Iraqi Kurdistan as well as foreign policy of official Baghdad towards important neighbours – Turkey, Iran, Saudi Arabia and Jordan. The rise of Islamic State of Iraq and Levant capitalizing on sectarian divide and an attempt of Iraqi leadership to neutralize this threat also has become the part of analysis.

KEYWORDS

Iraq; Reconstruction; Sectarian violence; Oil industry.

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