

### *Riyadh seeks to extend ties with Baghdad*

This week has been marked by a high-level Saudi diplomatic visit to Iraq. Taking part in the second Saudi-Iraqi Coordination Council, Saudi Minister of Commerce and Investment Majid bin Abdullah al Qassabi met with Iraqi President Barham Salih to boost ties between the two countries.

Over the past decades, Iraq and Saudi Arabia have had fraught relations. Saddam Hussein's invasion of Kuwait alienated Riyadh and forced it to face its former ally until his ousting from power in 2003. Thereafter, Saudi Arabia did not manage to improve relations with Iraq as PM Nouri Al Maliki was significantly closer to Tehran and blamed Riyadh for supporting Sunni extremists following the 2006 surge in Iraq. Despite PM Haider al Abadi's more balanced foreign policy, the rise of Shiite militias and their 2016 attack on the newly opened Saudi embassy impeded rapprochement between the two countries.

This time however, with PM Adil Abdul Mahdi, Saudi Arabia has the opportunity to ameliorate relations. This week's meeting resulted in 13 memoranda of understanding (MoUs), \$1 billion of loans for development projects, \$500 million to boost Iraqi exports and a 100,000-seat stadium as a gift from the Saudi King to the people of Iraq, to be constructed on the outskirts of Baghdad.

These gestures are likely to be the first stages of Saudi-Iraqi rapprochement. One of the Saudi delegation's goal was to ease movement of goods, money and people between the two countries as issues concerning pilgrimage, customs fees, border crossing and mutual investments were discussed. As a result, Baghdad will now be home to a Saudi consulate after 30 years of absence. A new border crossing in Arar is expected to be built by Fall 2019 and the PM is also expected to visit Saudi Arabia in the coming weeks, in addition to his visit to Iran.

This is where it gets interesting. Last month, President Hassan Rouhani made a 3-days trip to Iraq where his team signed 5 MoUs on healthcare, trade and energy, particularly increasing ministerial-level cooperation between the two countries. Movement of people between the two countries was also eased with a railroad project linking Shalamchah to Basra and plenty of visa-easing measures such as facilitation for businesspeople and investors, as well as a free-of-charge visa for visitors. Considering that nearly 2 million Iranians visited Iraq for Arbaeen last year, this measure is likely to increase the number of pilgrims and the revenues from tourism for Iraq.

PM Abdul-Mahdi also expressed his will to act as a negotiator between Iran and Saudi Arabia, and he

exhorted regional countries to build on their commonalities instead of differences. Emerging from years of conflict, Iraq needs Saudi investments to reconstruct lost infrastructure as Iran's sanctioned economy does not have sufficient steam to take a preponderant role in Iraqi reconstruction. Yet, Iran continues to be ahead of the game as its bilateral trade is around 20 times larger than Saudi-Iraqi bilateral trade, and is hoped to reach \$20 billion annually in the coming years according to the Iranian President office. It will therefore take much more for Saudi Arabia to outstrip Iran in Iraq.

Iran sees Iraq as its economic lifeline in this time of sanctions. Whilst smuggled goods principally flowed from the UAE in the previous round of sanctions, an important portion of electronic goods in Iranian malls now stem from neighbouring Iraq. PM Abdul-Mahdi himself vowed not to turn his country into a collaborator to the US unilateral sanctions regime against Iran, despite American pressures. Iraq itself is suffering from the consequences of US sanctions on Iran and could lose a lot if the US decide not to extend its waiver to import Iranian electricity next month. To avoid such a scenario, Parliament speaker Mohamed al Halbousi travelled to Washington D.C. to inform American lawmakers that his country needed at least 3 years to become energy independent and stop importing Iranian electricity.

#### Sources:

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