

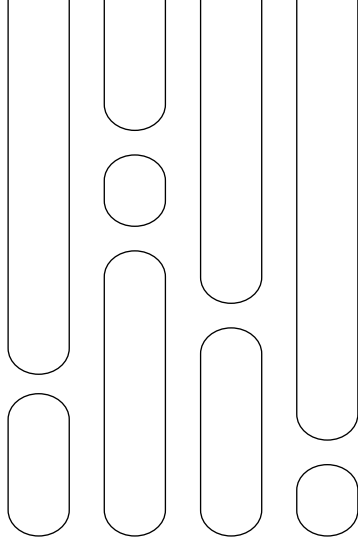
REPORT

WILL IRAN PRIORITIZE PRAGMATIC TOOLS IN IRAQ?

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Against the backdrop of the Saudi-Iran agreement signed on March 10, 2023 to resume diplomatic relations between the two countries, global media outlets reported that a company connected to the pro-Iran Popular Mobilization Forces (PMF) was authorized by the Iraqi government to operate as a public firm. This decision reflects an Iranian move to prioritize pragmatic tools in its key sphere of influence, especially in the upcoming period with the implementation of specific tools to take advantage of the current regional changes. Given this context, a number of important questions arise such as the following: What are Iran's potential motives? Does this recent decision imply that Iran has abandoned the use of ideological tools in Iraq? Or has Iran sufficiently enhanced its military and ideological tools to the point that it can now shift to the employment of pragmatic tools? If Iran continues to employ pragmatic tools, does this mean a strategic or tactical transformation given the challenges that the Iranian regime faces at home and abroad?

Iran's Potential Shift to Pragmatism in Iraq

The Iraqi government's authorization to establish Al-Mohandes company, the economic wing of the PMF, raised many questions concerning Iran's shift to employing pragmatic tools in Iraq. Iraq's prime minister classified Al-Mohandes as a public company connected to the PMF, meaning that the company will be granted greater influence than others and play a big role in Iraq's economy. This decision also raised concerns that the experience of IRGC companies such as Khatam-al Anbiya Construction Headquarters would be [repeated](#) in Iraq; the company is known to be involved in corruption and is deeply entrenched in the Iranian economy. Further, there are rising concerns that Al-Mohandes may create obstacles in the face of foreign investors, especially for Arab and Gulf investors, or even threaten the security of Iraq's neighbors. The company was named [after](#) former PMF Commander Abu Mahdi al-Mohandes who was killed in a US attack targeting Qassem Soleimani on January 3, 2020. Soleimani was the former commander of the Quds Force, a branch of Iran's IRGC.

The PMF receives allocations from Iraq's state budget, estimated at \$1.6 billion in 2021. It owns a host of companies, most prominently Al-Mohandes which is classified as a public company, thus on paper subject to governmental oversight and accountability like other companies. It is expected that the influence of PMF commanders will mean that the oversight and accountability of Al-Mohandes will not be as rigorous compared to other companies, allowing it space to promote Iranian economic interests through executing mega projects with the full backing of the Iraqi government. It will also be able also to compete in the private sector and secure further revenues for the PMF.

This company can increase the financial resources of the PMF through a host of ways, namely: border smuggling with Syria and Iran through taking advantage of the PMF's control over legitimate and illegitimate ports/checkpoints and imposing fees on cross-border trade. It is also worth noting that Iraq was the largest importer of Iranian goods in 2022 by approximately \$9.5 billion. The company has also won bids for important infrastructure and reconstruction projects. To leverage

the company's economic role, the PMF has been accused of levying special fees on national and foreign companies as well as on foreign investments to give the company a competitive advantage.

Al-Mohandes is likely to follow a similar pattern to that of Khatam al-Anbiya Construction Headquarters which was established in the early 1980s. Later, in the late 1990s and early 2000s, it expanded further after taking control of privatized firms until transforming into a mega conglomerate in construction, mining, energy, industry and other sectors inside and outside Iran. This Iranian entity is protected by the IRGC, which is ready to intervene in case its economic interests are at risk. For example, the IRGC hindered the inauguration of Khomeini International Airport in protest against its exclusion from the bid to upgrade the airport. Thus, repeating the experience of Khatam al-Anbiya Construction Headquarters is a real possibility in Iraq.

Al-Mohandes will cast a shadow of doubt over Iraq's economy at home and abroad; Iraq, which is suffering from economic and financial crises, is likely to lose out on massive financial resources because of Al-Mohandes' widespread control over the country's economy.

As for its ramifications on Iraq's neighbors, it may thwart foreign investments in Iraq giving it influence over the Iraqi government. Needless to say, there are also concerns over the security of some countries after the company was granted massive land territories near the Saudi-Iraq border; these territories could be used by pro-Iran militias to threaten Saudi Arabia's security.

Potential Motives for Iran's Shift to Pragmatism

There are host of potential motives for Iran's shift toward pragmatism in the upcoming period. Complex crises have made Iran reshuffle its cards and calculations. However, this does not necessarily mean that Iran will halt the activities of its military proxies; they will continue operating but in a different way, i.e., less active than before. But, Iran will keep its proxies as a bargaining chip to be employed when needed. The most salient potential motives of Iran's shifting toward pragmatism in Iraq are as follows:

■ Realization of the necessity to improve relations with the Gulf states:

Iran realizes that improving ties with the Gulf states in general and Saudi Arabia in particular is important to end its isolation. This cannot be achieved without shifting from its employment of ideological and military tools to pragmatic ones – the former permitted it to secure significant security and military bargaining chips. Pragmatic tools will allow Iran to open up toward Iraq's national forces and elites who aim to establish an independent and sovereign Iraqi state. This shift is evident in Iran's invitation to former Iraqi Prime Minister Mustafa al-Kadhimi to Iran though he is not in office anymore; Kadhimi is a strong advocate of establishing an independent Iraqi state.

■ Desire to mitigate the ramifications of the economic crisis: This desire is based on the approach of Iranian President Ebrahim Raisi; economic diplomacy and enhancement of economic relations to thwart the impact of economic sanctions

and halt their ramifications on Iran's internal affairs. This was quite difficult to achieve in light of Iran prioritizing its employment of ideological and military tools, which deepened tensions with the Gulf states, particularly with Saudi Arabia — accordingly its economic and living crises deteriorated further. As a result, Iran realized the necessity to adopt pragmatic tools in its sphere of influence to collect revenues to help in mitigating its economic crises and halt the popular protests on one hand and thwart Saudi Arabia's efforts to enhance economic and trade relations with Iraq on another hand.

■ **Widespread international condemnation of Iran's external militarization:**

Iran has faced widespread regional and international condemnation over its establishment, sponsorship and support of armed proxies in its spheres of influence with an aim to spread its sectarian and expansionist policy in the Arab world. Iran's militarized policy has created sectarian and political conflicts that have exhausted the Arab states. Some of these states, as a result, have become fragile and fertile soil for terrorist groups with their resources being squandered. This has jeopardized peace, stability and security in the Middle East, resulting in the frequent obstruction of international trade routes, including those for oil tankers. These ramifications resulted in the international community positively responding to Saudi Arabia's demand for tightening the noose on Iran with an aim to halt its militarization and destruction of stable nation-states. Therefore, in light of this increasing international pressure, Iran may opt for economic control/influence as an alternative to ideological/military control, at least for a period of time.

■ **Establish a parallel economic structure:** The Iranian regime most likely supports the PMF's aim to seize economic power which will result in the creation of an economic and trade system that is easy to deal with. This is in addition to linking investments in Iraq to Iran so that it can hinder foreign investments and keep Iraq within its sphere of influence.

To conclude, the aforementioned facts reveal that Iran is likely to shift toward pragmatism in its foreign policy, especially in Iraq in light of its isolation, economic crisis and harsh living conditions. Iran is also taking into account the latest shifts in Iraq's national policies; its rapprochement with Saudi Arabia and the Gulf states, which may pose a challenge to its role in Iraq. However, if we look at the fundamentals of Iran's political system (the centrality of ideology in Iran's Constitution), we realize that any shift toward the employment of pragmatic tools will probably be only for a specific period of time; this potential shift will not result in a great strategic transformation in Iran's foreign policy — because ideology is a core pillar of the Iranian political system. We also need to realize that the pragmatic dimensions which Iran is keen to employ does mean — according to Iran's perspective/mindset — establishing mutually beneficial bilateral relations as commonly understood in international relations, but it is expected that Iran will use pragmatic tools to serve its sectarian and expansionist goals. Thus, this present transformation must be closely observed.



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