



Building Bridges: Qatar's Strategic Investments in Iraq

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KEY TAKEAWAYS

Sphere of Influence

The flurry of Qatari economic activity in Iraq reflects Iraq's position as an important regional intersection. While Qatar's economic statecraft in Iraq reinforces its network-centric capabilities as a small state, Doha must protect its investments from Iraq's volatile political environment. This requires a long-term strategic commitment to developing Iraq into a sphere of influence.

Being Mindful of Economic Warfare

Turkish-Algerian people-to-people relations have strengthened considerably. Türkiye has eased visa requirements for Algerians, facilitating growth in tourism. Shared heritage and history have also increased Algerians' interest in Türkiye, as has Türkiye's cultural soft power in the form of Turkish TV series.

Protecting Qatari Investments

Qatar's increased footprint in Iraq requires contingency measures that can shield its investments, legally and politically. Doha can develop back-channel dispute resolution mechanisms and ensure its investments are protected by arbitration clauses and a bilateral investment treaty.

Working with others

Qatar's improved ties with Saudi Arabia provide an opportunity to work in partnership with Riyadh as the kingdom expands its footprint in Iraq. Working with Riyadh provides Qatar with strategic depth in Iraq, making its investments resilient to external and internal pressures.

KEYWORDS

Qatar

Iraq

Iraq-GCC Relations

Gas Growth Integrated Project (GGIP)

Energy Exports

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COVER IMAGE: A handout picture released by Iraq's Prime Minister's Media Office shows Prime Minister Mohamed Shia al-Sudani (R) and Qatari Emir Sheikh Tamim bin Hamad al-Thani (L) attending a joint press conference at the PM's office in Baghdad's Green Zone on June 15, 2023. (Photo by IRAQI PRIME MINISTER'S PRESS OFFICE / AFP)

INTRODUCTION

Qatar's evolving regional relations have been markedly highlighted by its relations with Iraq over the past two decades. The relationship between Doha and Baghdad reached its lowest in 2014, when Iraq accused Qatar of sponsoring Sunni insurgent groups;¹ and in 2015, when a group of 27 Qataris, including a member of the ruling family, were kidnapped by Shiite militias linked to Iran while the group was on an expedition near the Iraq - Saudi Arabia border.² These tensions were part of a wider set of geopolitical dynamics that saw relations between most Gulf countries and Baghdad deteriorate due to Iraq's marginalisation of its Arab Sunni community and support for Shiite opposition groups in Saudi Arabia and Bahrain³.

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Today, the relationship between the two countries is decidedly different. In June of 2023, Qatar's Emir, Sheikh Tamim bin Hamad Al Thani visited Iraq and concluded a set of agreements to bolster bilateral trade and expand Qatar's economic footprint in the country.⁴ The agreements are expected to bring more than \$9 billion worth of Qatari investments to Iraq.⁵ This issue brief provides insights into Qatar's evolving relationship with Iraq amid a number of emerging geopolitical developments, including the de-escalation between Saudi Arabia and Iran. It examines Qatar's growing engagement with Iraq to provide insight on how Doha can harness its relations with Iraq to secure its geopolitical and economic interests.

Qatar's planned investments in Iraq have the potential to result in influence and leverage in the country but, as this paper outlines, this will only be possible if engagements are rooted in a long-term strategic

commitment to Iraq. Without a strategic engagement plan, dominant armed groups in Iraq could potentially monopolise or derail Qatar's investments, which would exacerbate corruption in the country, make such investments vulnerable to Iraq's volatile political climate, and expose Qatari investors to sanctions breaches. Iran-aligned factions such as the Popular Mobilization Force (PMF) dominate the Iraqi parliament, hold several ministerial positions, and have co-opted the supreme court. With this in mind, it is difficult to envisage a scenario where these groups do not demand their own stake in Qatari investments.

Against this backdrop, Qatar's investments could fail to come to fruition and become unrecoverable. Qatari investments are also vulnerable to geopolitical events that have the potential to play-out on Iraqi territory, such as the Israeli-Palestinian conflict, the conflict in Syria, and tensions between the United States and Iran. To reduce the influence of local militia networks, Qatar can condition and sequence its investments around free and fair recruitment policies which would open up opportunities for ordinary Iraqis. Doha can also condition its investments around structural reforms, including measures to address corruption, contain the influence of militia groups, and improve efficiency within the public sector. In doing so before committing to expansive investments that may never materialize or expending significant resources, Qatar will be better placed to gauge the reliability, commitment, and professionalism of its Iraqi counterparts, and to assess the long-term viability of its investments.

Secondly, Doha should ensure that its investments are protected with arbitration clauses and a bilateral investment treaty (BIT) which would serve as a framework that would facilitate and regulate Qatar's investments in Iraq. Although Iraq is a member of the International Centre for Settlement of Investment Disputes (ICSID), a body crucial to the resolution of international investment disputes, and is a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention),⁶ Iraq constitutes a risky market for investors because of its opaque legal and regulatory environment and

political instability. BITs offer broad legal protections to Qatari investors, that may not be available under Iraqi laws, and provide supplementary rights to investors under any contracts governing Qatari investments.⁷

These measures will help Qatar realise the economic potential of its investments and, in turn, translate its economic commitments into political influence to insulate its investments from Iraq's complex political landscape which is marked by the threat of conflict relapse, and exogenous geopolitical pressures.

CONTEXT

Qatar's relationship with Iraq has undergone a number of ebbs and flows over the past-decade, often in tandem with Iraq's wider relations with the Gulf Cooperation Council (GCC) countries. The contours of the relationship have been shaped by key inflection points in the region, including the period following the 2003 U.S. invasion of Iraq, the Arab Spring, and the emergence of the Islamic State (ISIS), among others. In the aftermath of the 2003 invasion of Iraq, GCC countries such as Saudi Arabia, Qatar, and the UAE became critical players as a proxy war unfolded on Iraqi soil between Sunni armed groups and rival factions.⁸ Arab Sunni political and armed groups — an amalgamation of tribes, former members of the disbanded Iraqi military and foreign fighters — provided a buffer against Iran's widening influence in Iraq.⁹

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These groups, however, were often the source of tensions between the GCC and Baghdad's Shiite-ruling elite, who lamented the Gulf states' support — both active and tacit — for Sunni insurgents and their Iraqi political sponsors.¹⁰ That rivalry and

proxy conflict on Iraqi territory, in turn, set the tone for their contestations after the 2011 Arab Spring uprisings. GCC countries and Tehran extended support to rival political groups and armed non-state actors, which included substantial material support to opposing sides in the proxy wars that followed, most notably in Syria.¹¹

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Sectarian tensions rose in the run-up to the ISIS offensive into Iraq in 2014 and reached their peak during the tenure of Iraq's former Prime Minister, Nouri al-Maliki. Gulf states regarded Maliki with disdain, particularly in the aftermath of the Arab Spring when the former premier called for uprisings in Saudi Arabia and Bahrain. In 2014, he accused Saudi Arabia and Qatar of declaring war on Iraq by supporting Arab Sunnis and insurgent groups.¹² Maliki's divisive and sectarian policies forced a number of prominent Arab Sunni politicians to seek political support from Qatar, including former vice-president, Tariq al-Hashemi, who was convicted on terrorism charges and sentenced to death in absentia.¹³ Other factors further contributed to tensions during this time. Qatar was hosting Egyptian cleric, Yusuf al-Qaradawi, who regularly dispatched anti-Shiite rhetoric.¹⁴ Iraq also accused Qatar's Al Jazeera Media Network of inciting violence and suspended its license in 2013.¹⁵

Maliki's removal in 2014 in the wake of the ISIS offensive into northern Iraq and the collapse of the Iraqi army paved the way for a rapprochement, with his replacement, Haider al-Abadi, offering a more moderate tone. Khalid bin Mohammed al-Attiyah, the Foreign Minister of Qatar at the time, visited Iraq in 2015, after which Doha announced plans to open an embassy in Baghdad.¹⁶ Following the 2017 Gulf crisis, Iraq sent mixed signals to Doha. On the one hand, the Speaker of the Iraqi Parliament, Mohammed al-Halboosi, undertook a visit to Qatar and pledged to send 10,000 Iraqi

fighters to defend Qatar, while Maliki, although no longer in office, called upon the Iraqi government to stand with Qatar to deter any military aggression against it by the Saudi axis.¹⁷ On the other hand, senior Iraqi officials called on Iraq to mediate tensions and refrain from aligning itself with either side.¹⁸

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Despite this political posturing from some members of Iraq’s ruling elite, the Iraqi government’s relationship with Saudi Arabia improved under Abadi, although not significantly. In 2015, Saudi Arabia re-opened its embassy in Iraq, while Abadi undertook numerous visits to Riyadh. Abadi’s visits, over the next couple of years, culminated in several economic agreements, including a commitment from Saudi Arabia to build a stadium in Baghdad, the relaunching of flights between the two countries, the opening of the Arar border crossing in 2017 (which re-opened in 2020), and plans to develop joint ports and highways.¹⁹

A FLURRY OF ACTIVITY

Qatar’s current relationship with Iraq is indistinguishable from that of the previous decade, which aligns with a wider transformation of the region’s geopolitical contours over the past four years. The agreement between Saudi Arabia and Iran to restore their diplomatic ties last year was celebrated as a significant moment amid the proxy wars of the past two decades, although the conflict in Gaza has since dampened such expectations. Iraq, often a staging post for the violent rivalry between the two countries, has played an important role in enabling this de-escalation by mediating tensions, and by

hosting the Baghdad Conference for Cooperation and Partnership (Baghdad Summit).²⁰ In addition to bringing together Iranian and GCC officials, it also facilitated a meeting between the Qatari and Emirati leadership after years of tensions between the two countries.²¹

The GCC’s engagement with Iraq has been spurred by Washington’s proactive efforts to push Iraq closer into the GCC orbit of influence in a bid to contain Iran’s influence. As part of this effort, Washington has sought to reduce Iraq’s dependency on Iranian electricity imports, which undermine U.S. sanctions on Iran. Although the United States has approved these imports through several sanctions waivers, it sees greater economic and energy integration between Iraq and the GCC as being integral to its long-term efforts to suppress Iran’s nuclear programme.²² This includes an electricity interconnection between Saudi Arabia and Iraq as part of the GCC Interconnection Authority (GCCIA). The project’s first phase is expected to entail Saudi Arabia exporting 1 gigawatt of electricity to Iraq through a 270-mile line running between Arar and Baghdad.²³ Other ongoing initiatives include a planned power project that is projected to provide 1.8 gigawatts of electricity sometime next year from Kuwait’s al-Wafra station to southern Iraq’s Al-Faw station.²⁴ The GCC-Iraq line is being funded by Kuwait and Qatar.²¹

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Qatar has ramped up and diversified its own engagements over the past three years. In August of last year, Estithmar Holding Group announced its investments in Iraq as part of a Memorandum of Un-

derstanding (MoU) that was concluded during the Emir's visit to Iraq that same year.²⁶ As part of that agreement, Estithmar Holding signed agreements with the Iraqi national commission worth \$7bn that include real-estate and tourism development, in addition to the operation and management of hospitals.²⁷ This includes gated housing communities and five-star hotels as part of a push to develop Iraq's tourism sector.²⁸

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In April, of 2023, Qatar's Milaha, a marine and logistics firm, announced an expanded operation to transport cargo to Umm Qasr in southern Iraq, facilitating the provision and transfer of goods and materials between Iraq and the GCC countries.²⁹ In the humanitarian arena, organizations such as the Qatar Red Crescent Society (QRSC), have a long-standing record for alleviating the humanitarian suffering of the communities displaced during the war on ISIS. In August, QRSC expanded its activities in Erbil by initiating new food and healthcare projects for Internally Displaced People (IDPs) and refugees, at a cost of almost \$2 million.³⁰



The wider strategic backdrop for such engagement is Qatar's role as a key pillar of Washington's security architecture in the region. The Al-Udeid Air Base hosts over 11,000 U.S. forces and functioned as a major component of the victory against ISIS in Iraq and ongoing efforts in both Iraq and Syria to secure the lasting defeat of the terrorist group.³¹ The base serves as the U.S. military's Central Command (CENTCOM), as well as the Air Force's Combined Air Operations Center (CAOC).³²

IRAQ AS A STRATEGIC INTERSECTION

The most significant and ambitious Qatari venture in Iraq is a stake in the \$27 billion Gas Growth Integrated Project (GGIP), an integrated gas, oil, water, and solar power deal between the Iraqi government and France's TotalEnergies. QatarEnergy has acquired a 25% stake. The three partners, TotalEnergies, Basrah Oil Company, and Qatar Energy, will collectively invest \$10 billion in the project.³³ The GGIP aims to develop facilities to capture natural gas being flared at several oil fields in southern Iraq. Saudi Arabia's ACWA Power will join TotalEnergies on the solar component of the deal.³⁴

The gas project highlights Iraq's geo-economic potential and forms part of Iraq's ambitions to become a net exporter of gas. Both Prime Minister Sudani and Kurdistan's Prime Minister Barzani have outlined aspirations to become a global gas exporter amid increased demand for gas since the war in Ukraine unfolded in 2022.³⁵ Pursuant to this, in February of last year, the UAE-based Crescent Petroleum signed three 20-year contracts to facilitate the development of oil and natural gas fields in Iraq's Basra and Diyala provinces, adding to its existing fields in the Kurdistan Region.³⁶ With its expertise in liquefied natural gas (LNG) export and distribution capabilities, Qatar's entry into the gas sector is both natural and strategic.

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Qatar stands to gain economic benefits and enhanced geopolitical weight and standing, illustrated by the plaudits Qatar received from Washington af-

“Doha’s long-standing track-record as a mediator of regional conflicts would be bolstered through expanded and strategic engagement with Iraq.”



ter the GGIP was concluded.³⁷

Increased Qatari engagement in Iraq therefore amplifies Doha’s network-centric statecraft by creating an inter-dependency, making Doha indispensable to both the GGIP and Iraq’s hopes of becoming a net exporter of gas. Yet, there is room for further collaboration, as highlighted by Iraqi Oil Minister Hayan Abdel Ghani at the Qatar Economic Forum last year, where he announced Qatari companies’ interest in acquiring rights to explore oil and gas reserves in Iraq.³⁸ Doha was also invited to Baghdad to launch an ambitious transport project that would connect Asia to Europe through the ambitious \$17 billion Development Road initiative.³⁹ In the Kurdistan Region, Qatar is entertaining the prospect of investing in the gas sector, which forms part of a wider dialogue with the Kurdistan Regional Government (KRG) and Turkey.⁴⁰

Iraq’s importance as a strategic intersection extends into Qatar’s wider foreign policy interests. Doha’s long-standing track-record as a mediator of regional conflicts would be bolstered through expanded and strategic engagement with Iraq. Iraq has been an important interlocutor for the Saudis and the Iranians. In addition to the conflict in Yemen, which initially formed the basis for the back-channel communication between Riyadh and Tehran that Baghdad facilitated, Iraq has been an interlocutor for both countries in the wake of the conflict in Gaza. In this respect, a stable partnership with Iraq, if properly harnessed, would add breadth and depth to Qatari mediation efforts.⁴¹

THE NEED FOR A STRATEGY

The flurry of Qatari and wider GCC activity in Iraq reflects Iraq’s position as an important regional intersection. Iraq has significant proximity to the most pressing issues facing the region and international

security — from terrorism and proxy conflicts to energy security and great power competition. As the second-largest exporter of oil in the Organization of the Petroleum Exporting Countries (OPEC), and with a population of more than 43 million that grows by at least 2.5% each year, Iraq also has substantial economic potential.⁴²

However, Iraq has a range of domestic challenges that prevent it from unlocking this potential, including corruption, bureaucracy, insecurity, and poor governance. Despite this, Iraq’s centrality to the region’s wider economic transformation cannot be understated, and this has been illustrated, for example, by China’s growing investments in the country. In 2021, Iraq was the top recipient of China’s BRI financing for infrastructure projects, with about \$10.5 billion worth of investments.⁴³

There are, therefore, several strategic reasons for Qatar to expand the breadth and depth of its engagement with Iraq. Such engagement should be welcomed since it improves Iraq’s ability to balance its relationship with Iran and the Arab world and improves Iraq’s relationship with the wider GCC in the process. Increased Qatari engagement also has the potential to inject investment into Iraq’s economy and spur the diversification of the Iraqi economy, while exposing the country’s young population and entrepreneurial culture to alternative regional markets.

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The scale and depth of Qatar’s economic footprint in Iraq could result in significant influence once it materialises, both in Iraq and geopolitically. However, this will depend on the resiliency of such investments to Iraq’s volatile political environment.

In August 2022, clashes between Muqtada al-Sadr's supporters and the Iran-aligned PMF pushed Iraq to the brink of civil war.⁴⁴ These tensions are likely to re-emerge. Aside from conflict relapse, Iraq's political environment is highly fragmented and characterised by targeted assassinations, the weaponization or instrumentalization of state institutions, and civil unrest.⁴⁵ The intense rivalry extends into the economic arena, where competition over the most lucrative and sought-after sectors and projects can become violent.⁴⁶

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The GGIP deal, for example, was delayed for a year because of internal disarray over the execution and management of the project. Iraq's oil ministry was accused of not following the correct procedure by Shiite lawmakers, and parliament was asked to review the terms of the deal.⁴⁷ The project was then put on hold because of parliamentary elections and the delay in appointing new oil and finance ministers.⁴⁸ Parliament holds the capacity to force the government to review such deals or scrap them altogether. This, in particular, must be factored into the calculus and decision-making of Qatari investors, given parliament's composition (it is dominated by Iran-aligned groups),⁴⁹ Iraq's political context, and the impulsive nature of the Iraqi parliament.



The Iraqi government itself can also intervene to enable or discard major investment projects. The former Iraqi government blocked a Sinopec-Lukoil joint venture to develop the West Qurna-2 field, and thwarted an attempt by the China National Offshore Oil Corporation (CNOOC) and PetroChina to acquire ExxonMobil's stake in the West Qurna-1 oil field,⁵⁰ which was reversed under the current government.⁵¹ Similarly, under the same government, South Korea's Daewoo was first awarded a contract to develop the Grand Faw Project in Basra, with the backing of Muqtada al-Sadr, who has a large follow-

ing in southern Iraq.⁵² However, Sadr competes with Iran-aligned factions such as Asaib Ahl al-Haq for influence in the south. In response to plans to award Daewoo the contract, Asaib Ahl al-Haq lobbied for a Chinese company to be awarded the contract instead and dispatched its allies in government, such as the former transportation minister, Amer Abdul-Jabar, to criticise the awarding of the contract to Daewoo.⁵³

Qatar must, therefore, be mindful of such economic warfare and rivalry — major investment projects translate into jobs and services but also political capital, influence, and expanded patronage networks for the political champions of such projects. Doha's investments in Iraq could become the source of political tensions and either frustrated or torpedoed as a result. It is here where Qatar's relationship with the Shiite-ruling elite, particularly the PMF, will be tested. The PMF has an outsized influence over state institutions, including parliament and the supreme court, institutions that have proven willing to intervene in the interests of their political allies and sponsors, even in areas where the courts have no jurisdiction.⁵⁴ Iranian-backed factions see growing ties with the GCC (including Qatar) as a potential long-term strategic threat.⁵⁵

“Moreover, Doha must be mindful of the prospect of a dramatic escalation between the United States and Iran, which could play out on Iraqi soil, as evidenced over the last decade.”

Moreover, Doha must be mindful of the prospect of a dramatic escalation between the United States and Iran, which could play out on Iraqi soil, as evidenced over the last decade.⁵⁶ Such an escalation, will almost certainly see the United States ramp up its suppression of Iranian-backed groups, personnel and entities, and that may include companies

and personnel directly or indirectly involved in the projects Qatar has committed to. The United States has placed sanctions on several of its factions, such as Asaib Ahl al-Haq and Kataib Hezbollah,⁵⁷ yet they will likely have a predominant say over the fate of Qatar's major investment projects.⁵⁸ These actors oversee a vast property empire, and dominate other sectors in Baghdad, that forms part of a money laundering infrastructure designed to conceal their complicity in corruption and evade U.S. sanctions.⁵⁹ The implications of this could be significant and far-reaching for Qatar and its long-term engagement with Iraq.

CONCLUSION

Qatar's aspirations to increase its footprint in Iraq will require contingency measures that can shield its investments legally and politically. Doha must seek assurances from the Iraqi state — the government, legislature, and judiciary — that its investments in Iraq will not fall victim to the political climate's constantly shifting contours. Contingency measures can include back-channel dispute resolution mechanisms, which become particularly important in an economic landscape that is underscored with informal and cultural norms, rather than a transparent and robust legal and regulatory environment that would ordinarily protect foreign investors. Qatar should establish a bilateral investment treaty with Iraq. This supplements the arbitration mechanisms afforded to Qatari investors by way of Iraq's membership in the ICSID and offers broad legal protections to Qatari investors that may not be available under Iraqi law.⁶⁰

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Geopolitically, Doha's improved ties with Riyadh provide an opportunity to work in tandem with Saudi Arabia as the kingdom expands its own footprint in Iraq, including a commitment to allocate \$3 billion towards investments.⁶¹ Doha may not wish to work with its GCC neighbors but it has to appreciate that public and political sentiment towards Qatar is shaped by how Iraqis view the GCC countries as a whole. This can be attributed to the legacy of GCC engagement with Iraq since 2003 and to Iraqi decision-makers' balancing between increasing engagement with the GCC whilst also accounting for Iran's concerns.

Working with other GCC countries removes the silos that separate the different (at times rival) factions and political elites that GCC states support or work with, which can foster information, intelligence sharing and synergies. Collectively, these can mitigate the influence of the PMF.⁶² Moreover, Qatar can avoid putting all its eggs in the Baghdad and PMF basket by focusing some of its investments in the Kurdistan Region, particularly as Kurdistan expands its energy co-operation with Turkey and develops its own ties to the GCC.

Qatari engagement should be premised around sustainable development. This requires conditioning and sequencing investments around fair and open recruitment policies and transparent procurement processes. This will not address corruption and mismanagement overnight but could reduce the stranglehold of militia networks, who prioritise their own loyal supporters over or-

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dinary Iraqis when awarding jobs and contracts. This could be difficult to implement; from the perspective of these actors, it makes little sense to make such concessions. However, it is important that Qatari investors attempt to implement these measures to gauge the reliability and commitment of their Iraqi counterparts, and to assess the long-term viability of their investments.

Finally, Iraq is a country with significant geopolitical relevance. Qatar's economic statecraft in Iraq reinforces its network-centric capabilities as a small state and, therefore, protects its interests by making Doha indispensable to Iraq's economic revival and, crucially, to the countries who have significant foreign policy and security interests in Iraq, including the United States. However, Qatar needs to be mindful of the blind spots and unintended consequences of its growing ties to Iraq. Pre-empting and mitigating these require rooting its commitments and engagement with Iraq in a long-term strategy.

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