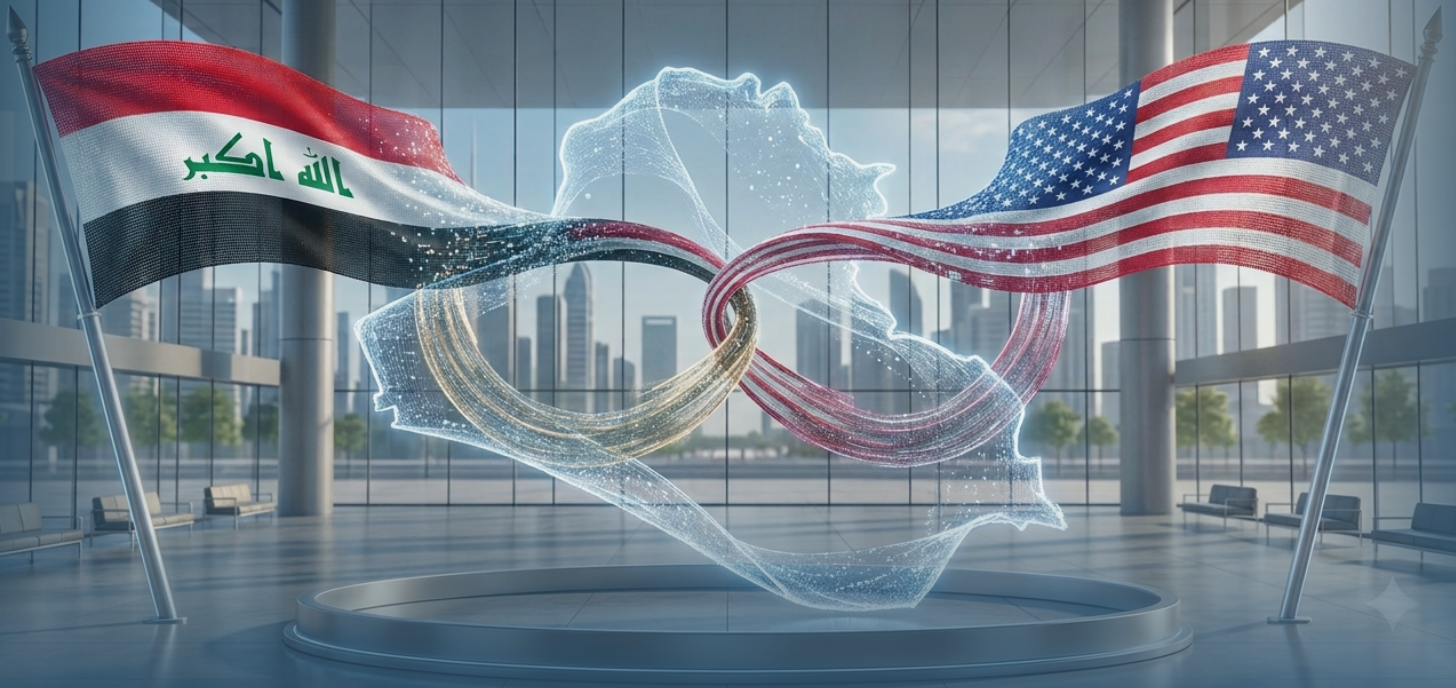




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OPINION & ANALYSIS · IRAQ & THE UNITED STATES

Baghdad Chose Washington First. That Was the Point.

Iraq's Own Case for an Economic Partnership With Washington

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Author's note: this paper was completed ahead of the Prime Minister's visit to Washington on 13 and 14 July and is published as written, a pre-visit analysis. Its argument concerns the terms Iraq should seek rather than the visit's headline outcomes, and it stands either way. Early reporting suggests the visit proceeded on memorandums and production headlines; the contractual floor this paper argues for remains, as of publication, unaddressed.

Every Iraqi prime minister since 2003 has made their first foreign trip to Tehran, or somewhere nearby. Ali al-Zaidi is breaking that pattern and going straight to the White House. Breaking the sequence is not switching camps; what follows is an argument about order, not exclusivity. The symbolism was the easy part. What happens once he is actually in the room is not.

The facts on the ground clearly present a US-leaning prime minister. In his first week in office, Zaidi gave clear instructions on three prominent tracks: electricity, oil, and communications. He prioritised US companies in these sectors and moved quickly to act on them. Chevron, Halliburton, and HKN have already signed MOUs and contracts. KBR signed the strategic memorandum for Basra's energy and infrastructure sector on 30 June. Starlink is poised to be awarded a license to operate in the telecoms industry. Zaidi has also reached for the low-hanging fruit, putting on the table a joint energy fund starting at 500,000 barrels a day, earmarked to refill the American strategic reserve, in the same breath signalling that Iraq will produce above its OPEC quota, and threatening to leave OPEC if this increase in production is not met.

We can read a lot into this from a strategic standpoint. Trump's approval ratings have been sliding through 2026, sitting in the mid-30s by June, with his handling of the economy specifically faring even worse: only 29 percent approval, his weakest showing on that measure in either term, driven largely by anger over gas prices and the cost of living since the Iran war began. From a PR perspective, expect Zaidi to hand Trump a headline figure of \$380 billion in projected Iraqi oil production earmarked for US purposes, something Trump can boast about to his voters ahead of the November 2026 midterms, and something that could help offset those declining numbers. A headline like that can serve both men's politics better than a production quota ever could.

Zaidi has articulated his logic plainly: once the last coalition troops leave on 30 September, "the relationship with the US will transition from military to economic."

Tom Barrack's visit to Baghdad last June carried clear indications of what the US wanted: two things. The first concentrated on the disarmament of the military factions; the second was to rein in the high level of corruption. Alongside this, Washington secured its own commercial interests: a memorandum with the American firm TI Capital to rehabilitate the Kirkuk-Baniyas pipeline, dormant since the early 1980s, alongside Chevron, HKN, Western Zagros, and Hunt resuming or expanding their own operations.

"We will not accept dictates from outside our borders, neither from the East nor the West. Iraq's decision belongs to its people."

ALI AL-ZAIDI, PRIME MINISTER OF IRAQ — ASHARQ AL-AWSAT

Zaidi has made his own position unmistakably clear.

Zaidi has pinpointed his direction amid many competing and complex regional and international pressures, choosing to point towards the US as the first of many fixes that Iraq requires. His strategy is to seek a complete reduction in US military presence in exchange for an economic, strategic relationship with Washington. The logic here is that this will allow him room to manoeuvre within the Iraqi political sphere when it comes to ending the presence of armed militias that justify their

weapons as resistance to a foreign military presence. Once the last coalition troops leave, that justification collapses, and there is no longer any pretext for armed groups to operate outside the state, which is where all arms and coercive force should sit in the first place. That is only half of the argument, however. The other half is about sovereignty itself, and it holds regardless of what Washington wants.

Many critics simplify this as American pressure forcing Zaidi's hand. It is worth contextualising this. Pressure on an Iraqi prime minister comes from all directions, Washington, Tehran, the GCC, alongside purely domestic pressures, and this is nothing new. What is different in Zaidi is that here is a prime minister who has chosen his track clearly, set on a path he judges most urgent, and working towards the rest as he sees fit as priorities emerge. How this unfolds in Zaidi's own vision remains to be seen.

Zaidi sees the PMF as a critical and central force within Iraq's coercive apparatus, one that must come fully under state command, restructured rather than dissolved. Sayyid Ammar al-Hakim, leader of the Hikma Movement and a senior figure within the Coordination Framework, made this case directly in a recent interview: handing weapons over to the state is a constitutional requirement, one the Marja'iyya has called for explicitly, and confining weapons to the state is required regardless of whether international pressure or regional demand exists at all. His own prescription is not to weaken the PMF but to rebuild it into a genuine, disciplined military institution, unconnected to political factions and working alongside the army and federal police, each with its own defined role, "no dispensing with it, no dissolving it, no disbanding it," as he put it. A strong, independent state requires full control over all coercive force within its borders. This is not merely a Washington or GCC concern grafted onto Baghdad, it is a state concern Zaidi would need to address even had it never appeared on the negotiating table, and he appears to have the religious and political backing to pursue it, from the marja'iyya and the Coordination Framework alike. Without that backing, this is not a position he could have taken at all.

"Confining weapons to the hands of the state is a requirement, whether there is international pressure or a regional desire, or not."

SAYYID AMMAR AL-HAKIM, LEADER OF THE HIKMA MOVEMENT

An incident that occurred a few days ago, and has been circulating widely on Iraqi social media feeds, showcases the struggle the state faces when it comes to militia land grabs. Near the Jadriyah bridge, a video recorded by one of the soldiers present shows a confrontation between an armed militia attempting to seize a piece of land in a prominent Baghdad location and the local army forces who intercepted them, resulting in a standoff between the militia and the state's own army. This reflects the corruption and lawlessness these militias create, and that the state has to endure. For Iraq to be a state in the full sense, the rule of law must apply equally to everyone, not one law for the weak and another for the strong. The state loses credibility, not just internationally, but locally too.

The stakes go well beyond Baghdad's own streets. These same groups have repeatedly undermined Iraq's official position abroad. The US Embassy in Baghdad has been struck by drones and missiles multiple times this year. The UAE's consulate in Erbil was hit by a drone in March. An Italian military base in Erbil was struck by a missile. A French soldier was killed and six others wounded in a drone attack on a base in Erbil governorate. Iraq's own National Intelligence Service headquarters was targeted, killing a police officer. Even amid open war with Israel, Iran itself kept clear of foreign missions; a drone strike on the residence of the Kurdistan Regional Government's president was so far outside any acceptable line that even the Iranian Revolutionary Guard Corps condemned it. These fringe militias act independently, and with no regard for the state, its strategic alliances, or its own interests.

Groups that claim the PMF's banner while answering to neither the PMF's own chain of command nor the state's put the PMF's legitimacy itself at risk. Internationally, this could spell disaster for a state seen to have no control over its own coercive apparatus, one whose PMF risks being labelled a terrorist organisation as a result. That would expose Iraq to sanctions as a state sponsor of terrorism, for paying the wages of a group implicated in attacks on foreign missions, a designation that would cost the state far more than any single militia commander stands to lose. Abbas Kadhim, Iraq Program Director at the Arab Gulf States Institute in Washington, has sharpened the same point from the regional side: under this administration,

Baghdad's standing with the Gulf states has become the primary barometer of its standing with Washington, which means every drone launched at a Gulf target from Iraqi soil is read in two capitals at once.

Renad Mansour, Chatham House's Iraq specialist, has made a related point, though he is more sceptical than hopeful about it. He has called the current drive against the factions closer to a veneer than a resolution. Many PMF-linked leaders have grown more invested in Iraq's stability, and in what that stability has done for their own political fortunes, than in continued resistance. But Mansour is careful not to credit this to domestic calculation alone: he describes a rare convergence of interests, PMF leaders protecting their own gains from stability, and Washington's own growing impatience pushing in the same direction at the same time. The recent integration of Saraya al-Salam into the formal security forces, announced without any American fanfare, looks a great deal like what a genuinely domestic instance of that convergence can produce.

"The devil is in the details. Once you get to the details, it is still far from an ideal state where there is a clear and clean chain of command."

RENAD MANSOUR, CHATHAM HOUSE

Zaidi has treated bringing weapons under state authority as the precondition for everything else on his agenda: the corruption push, the economic opening, an end to Iraq serving as someone else's battlefield. Read his approach to disarmament as his own precondition, not a concession extracted from him by Washington. That is the more accurate reading of the two. The same instinct, that Iraq should set its own terms rather than have them imposed, runs through how Zaidi appears to be thinking about the American partnership itself.

Donald Trump made a similar logic explicit himself, in a different theatre. He described American investment in Ukraine not as a garrison but as a deterrent. Money at stake makes attacking it costly, in a way that echoes what stationed troops would deter without actually replicating it. Security scholars have a name for that particular trick, tripwire deterrence, though Trump never used the term himself.

Zaidi appears to be making a similar calculation, and deliberately. American capital at stake in Iraq's oil sector gives Washington a durable reason to keep Iraq stable and secure, without either country carrying the domestic political weight of thousands of troops still stationed on Iraqi soil two decades after the invasion. For a country that has hosted foreign soldiers on its own ground that long, trading a garrison for a stake looks, on its face, like a fair exchange.

Whether it actually is one depends on how well Iraq negotiates the terms underneath it.

So Is This Actually a Good Trade?

Britain already ran something close to this experiment, forty years ago. Margaret Thatcher sold off the state's utilities and called it modernisation, and for a while it looked exactly like that. Today British families ration heating against eating in winter.

Privatisation does not do this by nature. It does this specifically when the state selling the asset keeps none of the regulatory teeth needed to control prices afterward. The rent the state used to collect from owning these utilities never disappeared when the state stepped back. It just changed hands, from the public purse into private shareholders' pockets.

Iraq has already run a smaller version of this same test. Washington lobbied hard in 2019 for General Electric to win a \$15 billion electricity contract. Prime Minister Adil Abdul-Mahdi chose Siemens instead, then signed an oil-for-reconstruction deal with China, which he called personally a turn away from Western dependency. He was gone within months, brought down by mass protests over corruption and joblessness.

How much the China and Siemens decisions weakened the external backing that might otherwise have cushioned him is genuinely disputed among people who watched it happen. This piece does not need to settle that argument. The lesson worth keeping is narrower. Any partnership with a great power survives only as long as the domestic legitimacy underneath it, and legitimacy has to be built at home first, whatever the terms of the deal abroad happen to be.

Zaidi's own anti-corruption campaign, the most aggressive in Iraq's modern history, reads as exactly this kind of legitimacy-building. Not incidental to the Washington opening. A precondition for it. Public trust earned at home is what buys him the room to pursue partnerships abroad without meeting Abdul-Mahdi's fate.

But legitimacy is only half of what the campaign produces. The other half is leverage. Sudani built his room to manoeuvre through development, delivering projects the parties could not afford to be seen blocking. Zaidi is building his through enforcement, and he is not doing it alone. The campaign rests on wider ground than any one government: the Marja'iyya's position on the protection of public money is decades old, the judiciary is the body driving the files, and senior political leadership has moved to match them. Sayyid Ammar al-Hakim has been among the most explicit, backing enforcement without exception and without regard for whose door the files reach, the same posture he took on confining weapons to the state. That breadth changes the geometry. Anyone tempted to obstruct the campaign now stands exposed on three fronts at once, against the religious authority, the courts, and the declared position of the political leadership, with a street behind all three watching who stands in the way of accountability. The same leverage points beyond the corruption files themselves, towards a harder target still: reforming an electoral registration system that lets organised actors bank votes before a single ballot is cast. That is an argument for another paper.

"Anti-corruption is not only Zaidi's programme. It is his leverage. Behind it stands the street, the one constituency nobody can buy, bully, or outvote."

DR. HAIDER ALKHATEEB — ENKI INSTITUTE FOR STUDIES AND RESEARCH

But What Else Is Iraq Signing Up For?

There is a second cost, and it has nothing to do with geopolitics at all. Foreign capital rarely travels alone; it carries a values package with it. The environmental and social governance codes written into Western boardrooms carry assumptions about labour, gender, and family that were never designed for a conservative Gulf society.

Nobody needs to assume bad faith here. No framework built somewhere else is ever neutral. Adopting one wholesale, unadapted, imports more than capital does. This is squarely the kind of term Iraq should be negotiating for itself, rather than accepting as a package deal alongside the investment.

None of this is an argument against Washington. It is an argument for using the room Iraq has chosen to open as fully as possible.

Zaidi's own instinct, that Iraq should give Ankara, Riyadh, Tehran, and Washington each their own lane rather than picking one exclusively, is the right one. On China it still describes real, freely exercised discretion, since nothing in the current arrangement touches Chinese telecoms or construction.

Iran is messier, and was already messy before this visit happened. Iraq's dependence on Iranian gas and electricity once covered close to forty percent of its power generation. Over the past two years that dependence has been substantially wound down, largely through BP and TotalEnergies gas-capture investments filling the gap Tehran used to fill. The diversification does quiet double duty, since the import channel it replaces was never just an energy lifeline but a revenue ecosystem for some of the very networks the state is now trying to bring to heel. An earlier, quieter instance of the same pattern now playing out with Washington. But Iran is the one lane Iraq cannot simply reroute. Geography makes it a permanent trading neighbour whatever the political temperature, and the aim is not to sever that lane but to keep it walled off from the others. Whether Baghdad manages that will show in what it signs, not in how often it visits. Roads, rail, border crossings, trade facilitation, these are what a walled-off lane looks like in practice. A return to energy supply agreements would mean the dependency Baghdad has spent two years unwinding has simply been renewed under another name. Critics will count the visits and read alternation as incoherence. The more useful question is what each visit puts on paper.

Small states positioned between rivals who all matter more to them than they do to any single rival have a name for this in the literature, hedging. Kazakhstan's three decades balancing Russia, China, and the West is a closer model for what Baghdad is attempting than anything out of Southeast Asia. The harder question is whether the rivals themselves will permit it: while the war between Washington and Tehran continues, neither has much appetite for allowing Iraq an insulated lane, and that reluctance is precisely why the wager matters. Capital at stake is Iraq's way of manufacturing a lane that neither patron would freely grant. What is actually negotiable inside the American partnership, now that Iraq has chosen to build it, is its technical terms. Different money moving through different lanes, walled off from each other, so no single partner ends up owning more of Iraq's economy than the terms Baghdad agreed to.

So Where Does This Actually Get Tested?

Here is where the real test sits, and it has nothing to do with anyone else's intentions.

Iraq's industry produces roughly 7 trillion dinars a year against an import bill approaching 100 trillion. Economists have a word for that arithmetic, a rentier economy, a state living off resource rents instead of what it actually makes.

A friend who contracts for BP in Basra put the whole problem in one sentence. Most of the mechanical servicing for Iraq's oil equipment does not happen in Iraq. It happens abroad, often routed through hubs like Dubai, simply because the capacity exists there and not yet here. The parts fly out. The invoice gets paid somewhere else. The technician who could have learned the trade stays unemployed at home.

Iraq's own state-linked Iraq Oilfield Services company more or less confirmed this last year, when it opened the country's largest domestic oilfield services centre with a stated target of growing its share of the local market by 30 percent. The number is telling on its own. A company that already dominated its home market would not need a growth target that size. Setting one implies a large share of that market is still going elsewhere, most plausibly to the same regional hubs my friend was describing.

The instinct behind this is not mine alone. The Bayan Center for Studies and Planning, an independent Iraqi research institute, argued in its own assessment of the Washington visit that Iraq should tie any energy cooperation with the United States to a plan for developing storage, transport, refining, and gas, rather than settling for a deal that simply raises production. That is exactly the right principle.

Bayan has since gone further, publishing a fuller roadmap for the visit that reaches beyond energy into capacity-building with American universities, a dedicated track for small and medium US firms rather than the giants alone, and banking compliance systems that would make enforcement a permanent feature of the financial architecture rather than a campaign. The breadth makes the convergence hard to miss: independent Iraqi institutional opinion is settling on terms, not deals, as the measure of the visit. What the roadmap still leaves open is the same gap as before. Naming the goal, keeping more of the value chain at home, is the easy part. The harder question is what specific contractual instrument turns intent into obligation, and it is here that the answer has been sitting unused for years.

"The real value of this visit is not measured by the number of meetings or diplomatic headlines, but by its ability to turn the relationship with the United States from a general protocol framework into a specific, executable, and measurable economic programme."

BAYAN CENTER FOR STUDIES AND PLANNING — ECONOMIC STUDIES UNIT

Nigeria fixed a version of this same problem in 2010, by law. It used its oil sector the way the economist Albert Hirschman once argued a resource sector should be used, not as an enclave to be taxed but as a lever to drag the rest of the economy up behind it. Any company doing oil business in Nigeria has to staff its junior and mid-level roles with Nigerians, spend a fixed minimum on training, and cannot undercut a capable Nigerian firm on price just to avoid using it.

Iraq does not even need to look as far as Nigeria to find proof this works in its own region. Saudi Arabia's in-kingdom value programme reached its seventy percent local content target this year and now aims for seventy-five by 2030, and the UAE runs a comparable in-country value regime, both with real commercial consequences for foreign contractors who fall short, since the score decides who wins the work. The results are visible: the major service companies now operate facilities inside the kingdom they would otherwise have kept in regional hubs. If Iraq's own neighbours already hold contractors to that number, a first target well below it is not ambition. It is catching up.

Iraq's own oil contracts have never had teeth like either model. A 2009 expert review of Iraq's draft model service contract found the employment, training, and technology transfer provisions dealt with in precisely half a page, rudimentary and non-specific, with the minimum annual training expenditure left as a literal blank in the text. The signed contracts eventually settled on a modest annual training fund, but a 2021 study found no formal monitoring of the programmes or the spending, evidence that the full amounts go unspent, and little sign of the upskilling the clause was meant to buy. The clause got a number. It never got teeth, and seventeen years on it still has none.

It could be fixed this year, in the very contracts Chevron, Halliburton, and KBR are signing right now. A floor on Iraqi staffing in technical and maintenance roles, thirty percent within two years, sixty within five. Training paid for as a real cost instead of written off as a favour.

That is the negotiation Baghdad should be having in Washington, now that it has chosen to be there. Not oil for investment. Oil for a workshop in Basra instead of one somewhere else, and an Iraqi technician who never has to leave home to learn the job.

Zaidi made the harder call already, betting that economics can secure what decades of a foreign garrison could not. What remains is negotiating every term inside that bet with the same resolve he brought to making it in the first place.