

Can Iraq Reconstitute the Arab Eastern Front against Israel?

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Brief Analysis

While President Bill Clinton is laying out his plans for peace in the Middle East, others are talking about their readiness for war. Iraqi dictator Saddam Husayn's defiant January 6 Army Day speech supporting the Palestinian revolt followed on the December 31 four-hour "Al Aqsa Call" military parade in Baghdad dedicated to the Palestinian cause. By some reports, this parade included hundreds of tanks, dozens of helicopters, new troop-transport trucks, and new short-range missiles — impressive, given that the Iraqi army was assumed to be having problems maintaining its equipment, much less acquiring new systems. One unconfirmed report suggests that elements of the Hamurabi Republican Guard Division would be permanently stationed west of Baghdad on the road to either Syria and Jordan.

Saddam may be blustering, and these reports may be exaggerated. However, Iraq has the potential to be a real problem if there is a crisis. Saddam's radical rhetoric, backed up with one of the largest Arab militaries, could embolden anti-Israel militants like Hizballah and Hamas, while pressuring Arab leaders to show their publics they are better at opposing Israel than is Saddam. In addition, Iraq has many ways to press Jordan, to which Iraq is by far the largest donor of foreign aid (in the form of oil at a discount). The most troubling scenario would be a repeat of 1967, in which Arab states — competing with each other and worried about appearing weak in the eyes of their publics — take strong anti-Israel actions in a time of crisis, leading to strong Israeli reactions and a slide towards war.

Iraq's threat to Israel is growing because UN sanctions are eroding and Saddam thinks he is becoming stronger while the United States is becoming more isolated. Furthermore, two other factors that strengthen Saddam's position have not received the attention they deserve: the improvement in Syrian-Iraqi relations and Iraq's stockpiling of cash reserves.

Syrian-Iraqi Rapprochement Iraqi-Syrian relations have been steadily improving for more than a year. The border between the two countries, closed since 1982, has been reopened. Last week, Syria announced that Iraqi visitors no longer needed special visas. The route from Syria is well suited for Iraq to import goods prohibited by the UN sanctions regime. Given that Syria has the same ex-Soviet armaments as Iraq, Syria is well positioned to serve as a conduit for spare parts and upgrades, if Iraq provides the cash.

Another troubling development was the reopening the oil pipeline from Iraq to Syria. While both sides claim that the pipeline is still being tested, Syria in December exported 32,000 barrels a day (b/d) — more oil than it has exported at

any time in years, even though Syria's oil industry is at best stagnant. If fully repaired, the pipeline might handle 800,000 b/d, though Syria may limit the volume to the 200,000 b/d its refineries can use — thereby permitting Syria to export 200,000 b/d more of its own oil, while still claiming (correctly) that it is not exporting Iraqi oil. Even 200,000 b/d is worth \$1.8 billion a year (at \$25/barrel) — money Syria and Iraq could split, allowing each to buy more arms.

The Syrian-Iraqi rapprochement makes sense for many reasons. Economically hard-hit Syria needs the cash Iraq can provide; Iraq needs the outlet for smuggling Syria offers. Syrian president Bashar al-Asad does not have the same bitter history with Iraq as his father did. The two dictatorships share a disdain for democracy, a distrust of free markets, and are proponents of radical Arab nationalism — the three core principles of the Baath Party (Iraq and Syria each claim to have the true Baath Party). To be sure, relations between Iraq and Syria have been venomous for several decades, but there are deep historical ties between the two. For most of the last century — and for nearly all the centuries before that — Iraq's main orientation was toward the Fertile Crescent, not toward the Persian Gulf.

Iraq has long had deep reservoirs of popular sympathy in Jordan, whose government has been improving relations with Iraq recently. Were Iraq also to develop good relations with Syria, Israel would have more reason to worry about a reconstituted "eastern front." Such a development would make the Israeli Defense Forces (IDF) much more nervous about withdrawing from the Jordan Valley and about the security provisions of any agreement with the Palestinians — not good news for peace negotiators.

Iraq Flush with Cash Ever since the 1999 UN Security Council Resolution (UNSCR) 1284 removed all limits on Iraqi oil exports and international oil prices increased, Iraq has been earning huge amounts from its oil exports. In 2000, Iraq exported \$17.4 billion through the UN-monitored oil-for-food program.

Iraq is earning much more than it has the capacity to spend. As a result, Iraq had accumulated \$12.2 billion in UN-monitored bank accounts as of November 30. After complaining for years about the suffering caused by sanctions-induced shortages, Iraq is now unable to spend the flood of cash the UN is channeling its way. In his November 29 report about the Office of the Iraq Programme, UN secretary-general Kofi Annan complained that Iraq had only placed orders equal to twenty-eight percent of the amount available for the last half of the year. He "urge[d] the Government of Iraq to ensure the distribution of the full food ration under the distribution plan as soon as possible" and he asked it "to consider increased targeting of resources to meet the needs of the most vulnerable groups, including children and the disabled."

Not only has Saddam been able to get the oil-for-food program to pay for all Iraq's humanitarian needs (contrary to the assurances that oil-for-food would supplement, not supplant, Iraqi spending), he has now gotten approval in principle to divert oil-for-food dollars into his Central Bank. The December 2000 UNSCR 1330 authorizes the secretary-general to make the necessary arrangements, subject to Security Council approval, to use oil-for-food dollars to pay Iraqi workers and buy goods inside Iraq without any limit (indeed, 600 million euros is set aside specifically for oil industry workers and goods). In a command economy like Iraq's, the government controls the companies and the workers the UN will pay, so the government will get the dollars and the workers will get Iraqi dinars. These dollars will provide the foreign exchange that Saddam can use for his own purposes — such as the anti-aircraft systems, the troop-transport trucks, and the brand-new uniforms seen at the December 31 parade.

The UNSCR 1330 funds will be added to the (approximately) \$1 billion that Saddam earned in 2000 from oil exports outside the UN oil-for-food program, even before significant income started coming from the Syria pipeline. Saddam recovers one-third to one-half of the value of the oil trucked to Jordan, carried through Iranian waters, or smuggled into Turkey. But he makes up for it in volume: those three routes carry closer to 300,000 b/d than 200,000 b/d. Saddam can spend all of this money on luxury consumer goods and military supplies, given that the humanitarian supplies are so generously funded by the UN-run oil-for-food program.

A Test Early in the Bush Administration At the December 16 news conference when his selection as Secretary of State-designate was announced, Colin Powell spoke about re-energizing sanctions against Iraq. The key problem is not civilian flights into Iraq, but the money Saddam has under his own control and the supply routes not subject to UN restrictions. On both fronts, Syria constitutes a major potential new problem. The issue will come up quickly, because UNSCR 1330 mandates a report from the secretary-general by March 31 on petroleum pipelines for exporting Iraqi oil – which was the Security Council’s compromise when Syria refused to put the Iraq-Syria pipeline under UN monitoring.

One approach for the Bush administration would be to take a tough stand by insisting that Iraqi oil exports via Syria have to be monitored by the UN. Such a stand could be backed if necessary by force used against the pipeline pumping stations. Another approach would be to continue the kinds of compromises seen in UNSCR 1284 and 1330, which leave Saddam with more and more money subject to fewer and fewer controls. The question is how much priority to give to generating support internationally and domestically for re-energizing sanctions – and how much of a risk that Bashar al-Asad and Saddam Husayn will interpret concessions as an indication they can safely ignore U.S. warnings on other subjects, such as avoiding a slide to war with Israel.

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