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- THE QATAR MODEL: THE FUTURE OF IRAQ–GCC ECONOMIC INTEGRATION?
- LOOKING BEYOND OIL: HOW HORMUZ DISRUPTION IS RESHAPING IRAQ-GCC TRADE

Dr. Zeidon Alkinani
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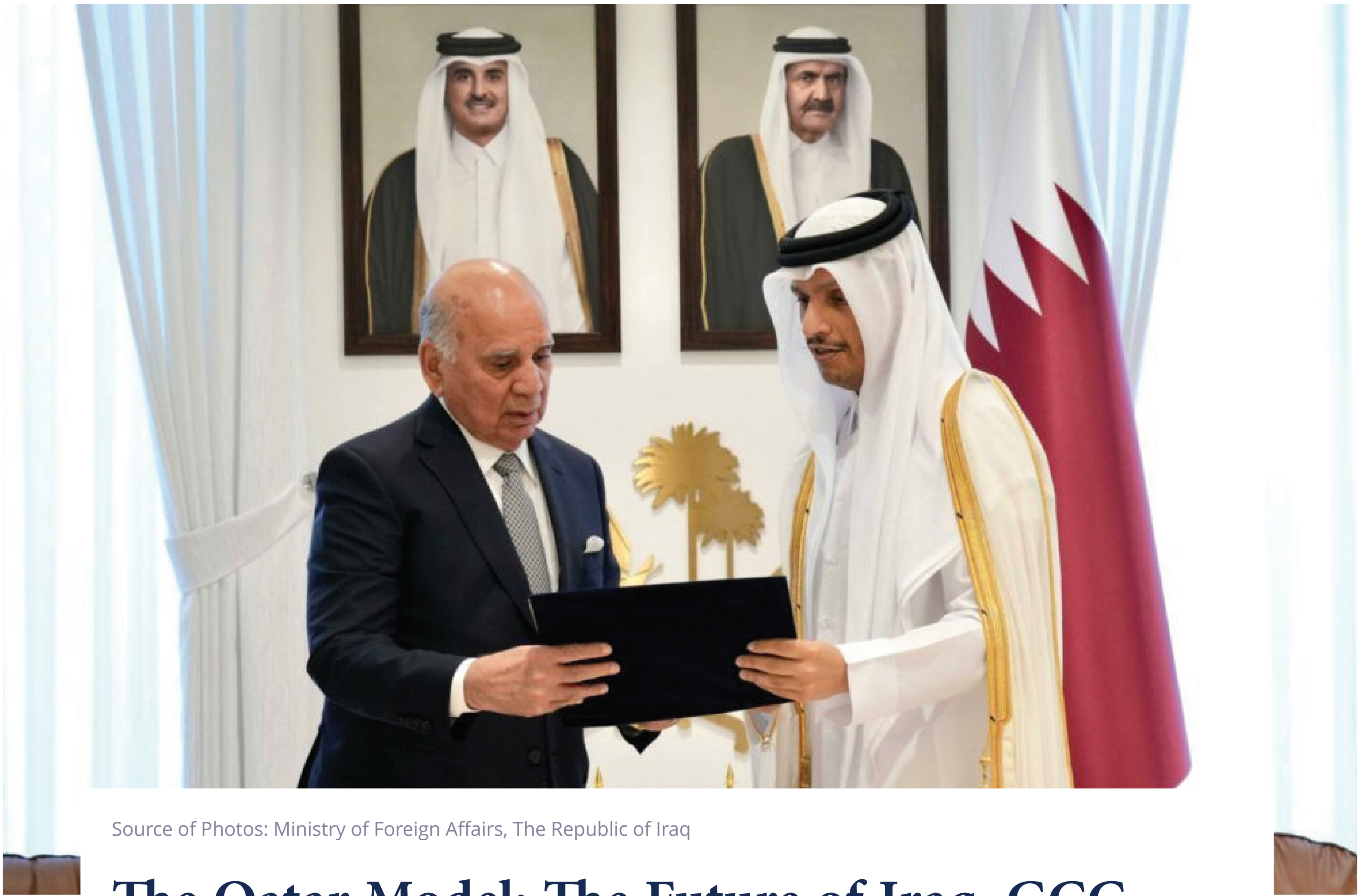

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The Qatar Model: The Future of Iraq–GCC Economic Integration?

DR. ZEIDON ALKINANI

Among GCC states, Qatar has emerged as Iraq's most active economic partner, committing more than $9 billion since 2023 across energy, logistics, infrastructure, and real estate.[1] Its investments include participation in the Gas Growth Integrated Project, expanded cargo operations through Milaha, and support for the Development Road Project.[2] No other GCC state has matched the breadth of Qatar's engagement. Qatar's engagement offers a way to think about what Iraq–GCC integration can realistically look like. It suggests that integration need not run through GCC membership or a single institutional framework, and that bilateral investment can create meaningful economic linkages. Qatar's relationship with Baghdad rests on conditions other Gulf states do not share, so it cannot be copied as a template. However, it still offers a lesson. No two Gulf states will engage Iraq for the same reasons or through the same channels, yet none can afford to ignore a market of Iraq's scale and consumer base, and in every case the decisive factor is whether Baghdad can provide the governance and operating environment to turn investment into lasting transformation.

1. This $9 billion USD figure excludes additional stakes in a TotalEnergies project in Iraq.
2. Ranj Alaaldin, "Building Bridges: Qatar's Strategic Investments in Iraq," Middle East Council on Global Affairs, March 2024, https://mecouncil.org/wp-content/uploads/2024/03/MECGA_Issue-Brief-_Ranj-Alaaldin_Final-WEB-1.pdf

Qatar-Iraq engagement has been tested by the wider regional war and the closure of the Strait of Hormuz. Qatar is among the most exposed states in the Gulf to these disruptions. Almost all of its liquefied natural gas, the source of the wealth it has been deploying abroad, must transit the Strait, and Doha has no pipeline bypass of the kind Saudi Arabia and the UAE rely on for their oil. The disruption reaches the revenue base that funds Qatar's investments in Iraq, and it poses two questions that run through what follows. The first is whether a relationship built so heavily on Qatari capital can withstand a shock to the source of that capital. The second is whether the same disruption makes Iraq more attractive to Doha, or less.

The Strategic Logic on Both Sides

Qatar's engagement with Iraq is not primarily driven by proximity or shared history, but by a broader strategy of economic statecraft that uses investment and commercial ties to build influence and mitigate the vulnerabilities of a small state operating in a volatile regional environment. Qatar's position in the Gulf has long encouraged it to cultivate networks of economic interdependence that reduce its strategic vulnerabilities, particularly following the 2017–2021 Gulf crisis.[3] Iraq fits this approach well. By investing in Iraq's energy, reconstruction, and logistics sectors, Doha gains not only economic returns but also a long-term stake in Iraqi stability and influence within the country's evolving economic architecture.

Doha's ability to build strong relations with Baghdad beyond (or regardless of) the GCC's priorities with Iraq derive in part from Qatar's relationship with Iran. Qatari political analyst and media personnel Abdulaziz Al-Ishaq states that despite periods of "regional tension between Iran and other Arab states (particularly the GCC)", relations between Baghdad and Doha have remained relatively stable – regardless of the implications of Iraq-GCC relations from Iranian political influence in Iraq. This resilience stems partly from "Qatar's policy of avoiding direct confrontation with Iran," which has limited the extent to which Iranian influence in Iraq has hindered the development of bilateral ties.[4] This assessment reconciles with previous interpretations of the Qatari engagement with Iraq over the years being much more "immune" to Iranian influence in Iraq, unlike its Saudi counterpart.[5]

Iraq's Ambassador to Qatar, H.E. Mr. Mohamed Jafar Al-Sadr, argues that the 'Qatari model' demonstrates how institutional cooperation can strengthen Iraq–GCC relations, and that expanding this approach across GCC states could deepen regional economic integration and transform bilateral ties into strategic partnerships. "Growing Gulf, particularly Qatari, investment in Iraq highlights the model's potential to overcome structural challenges when supported by political commitment and effective implementation."[6]

3. Alaaldin, "Building Bridges."; Nader Kabbani, "The Blockade on Qatar Helped Strengthen Its Economy, Paving the Way to Stronger Regional Integration," Brookings Institution, January 19, 2021, https://www.brookings.edu/articles/the-blockade-on-qatar-helped-strengthen-its-economy-paving-the-way-to-stronger-regional-integration/.
4. Abdulaziz Al-Ishaq (Qatari political analyst and media personnel), interview by author, June 2026.
5. "Qatar Leverages Gulf Reconciliation, Iran Ties in a Race for Influence in Iraq," The Arab Weekly, March 2021. https://thearabweekly.com/qatar-leverages-gulf-reconciliation-iran-ties-race-influence-iraq
6. Mohamed Jafar Al-Sadr (Ambassador of Iraq to Qatar), interview by author, June 2026.

The potential for deepening Gulf investment in Iraq, alongside the emerging pattern of GCC member states independently pursuing bilateral ties with Baghdad, points to a significant recalibration of Gulf foreign policy — one that transcends the historically "sect-centric" paradigm that long constrained relations between the Gulf and Iraq post-2003.[7]

> **Growing Gulf, particularly Qatari, investment in Iraq highlights the model's potential to overcome structural challenges when supported by political commitment and effective implementation.**
>
> *H.E. Mr. Mohamed Jafar Al-Sadr*

Iraqi policymakers should recognize these geopolitical dimensions of Qatar's engagement. By becoming integral to Iraq's economic revival, Qatar reduces Iraq's dependence on its immediate neighbors while reinforcing its own regional influence and relevance to Washington, which remains invested in Iraqi stability. For Doha, the relationship is not merely bilateral but part of a broader diplomatic strategy.

Iraq's incentives are equally concrete, and they begin with a structural economic vulnerability that no Iraqi policymaker can afford to ignore. Oil revenues account for more than 91 percent of Iraqi export earnings, approximately 88 percent of the government budget, and roughly 53 percent of GDP.[8] The IMF's 2020 Article IV review of Iraq projects widening fiscal deficits and rising debt-to-GDP ratios through the mid-2020s, driven in large part by oil price volatility and an absence of economic diversification.[9] Against this backdrop, Qatari capital can be seen as patient, politically sophisticated, and familiar with the region's operating environment in a way that Western or Asian investors are not, and that represents a qualitatively different kind of partnership.

Qatar's engagement is significant not only as a source of capital but also for its sectoral impact. Investment in the Gas Growth Integrated Project supports technology transfer and capacity-building, while Milaha's operations at Umm Qasr strengthen Iraq's trade links with GCC and international markets. The Development Road MoU with Türkiye and the UAE could generate up to $4 billion annually at full capacity, helping reduce Iraq's dependence on oil exports and deepen its integration into regional supply chains.[10]

7. Zeidon Alkinani, "The Iran War's Shadow Over Iraq's Preexisting Dynamics," Afkār, Middle East Council on Global Affairs, April 21, 2026, https://mecouncil.org/blog_posts/the-iran-wars-shadow-over-iraqs-preexisting-dynamics/ Zeidon Alkinani, "Current Iraq-Gulf Relations: Economics over Politics?," Arab Center Washington DC, March 23, 2022, https://arabcenterdc.org/resource/current-iraq-gulf-relations-economics-over-politics/
8. World Bank, "Iraq," World Bank Country Overview, accessed June 20, 2026, https://www.worldbank.org/ext/en/country/iraq#tab-economy "Iraq Posts 8.8 Trillion Dinar Deficit in First Nine Months of 2025 as Wage Bill and Pensions Surge," The National Context, accessed June 20, 2026, https://thenationalcontext.com/iraq-budget-deficit-jan-sep-2025/ U.S. Energy Information Administration, "Iraq," Country Analysis Brief, accessed June 20, 2026, https://www.eia.gov/international/analysis/country/irq
9. International Monetary Fund, "IMF Executive Board Concludes 2020 Article IV Consultation with Iraq," Press Release No. 21/37, February 11, 2021, https://www.imf.org/en/news/articles/2021/02/11/pr2137-iraq-imf-executive-board-concludes-2020-article-iv-consultation.
10. TotalEnergies, "GGIP: A Multi-Energy Project to Support Iraq Towards Its Energy Independence," accessed 20 June 2026, https://totalenergies.com/company/projects/-gas/ggip-multi-energy-project-Irak; Milaha, "Milaha Launches First Ever Container Feeder Service Between Qatar and Iraq," accessed 14 June 2026, https://www.milaha.com/en/news-and-media/milaha-launches-first-ever-container-feeder-service-between-qatar-and-iraq; "Iraq, Turkey, Qatar, UAE Sign Preliminary Deal to Cooperate on Development Road Project," Reuters, April 22, 2024, https://www.reuters.com/world/middle-east/iraq-turkey-qatar-uae-sign-preliminary-deal-cooperate-development-road-project-2024-04-22/

Table: List of Qatari investments in Iraq. [13]

Investment amount	Details	Project
25% of $27bn = $6.75 billion	Qatar owns a 25% stake in TotalEnergies' $27 billion integrated energy project in Iraq. Iraq's Basra Oil Company holds 30%, while TotalEnergies retains the remaining 45%.[11]	Gas Growth Integrated Project
Included in the $27bn	Energy production of 1.25 gigawatts; serves 350,000 households; completion between 2025–2027.	Solar Energy Project in Basra Governorate
50% stake in the solar power component of the TotalEnergies project	QatarEnergy has also secured a 50% stake in the solar power component of the TotalEnergies project.[12]	
25% of $27bn = $6.75 billion	Promised and committed investment from Qatar to invest in Iraq through various channels.	Overall committed investments

A few clarifications on the table above: Qatar's 25% stake in TotalEnergies' $27 billion energy project is not included in the $9 billion figure, which covers only Doha's direct investment in new projects — the TotalEnergies stake will likely be added once its returns become clearer. QatarEnergy's 50% stake in the project's solar component is excluded for the same reason, and may have been an unintended byproduct of Iraq's push to diversify away from Iranian energy imports. The separately promised $5 billion remains pending, though publicly confirmed by the Iraqi Embassy in Doha.

The institutional architecture sustaining this engagement has also deepened. The seventh session of the Qatari-Iraqi Joint Committee for Economic and Trade Cooperation, convened in Baghdad on July 7–9, 2024 and co-chaired by both countries' trade ministers, focused on investment opportunities across industry, infrastructure, renewable energy, digital transformation, and financial services. Qatar Chamber has initiated discussions with the Federation of Iraqi Chambers of Commerce on establishing a joint business council and a Qatari-Iraqi Business Forum, signaling that the relationship is beginning to move below the state-to-state level, where durable economic ties are ultimately built.

Risks and Limiting Conditions

An honest appraisal of the Qatar–Iraq relationship must reckon with the risks that complicate it, and these are risks that Iraqi policymakers bear primary responsibility for addressing. The most immediate challenge is the “militia economy.” Iran-aligned armed factions hold economic interests in sectors attractive to Gulf investors, including reconstruction, border logistics, and real estate. As a result, Qatari investment risks becoming entangled in factional competition or facing pressure from armed actors that view Gulf capital as a resource to be captured. However, foreign and Gulf investors have rarely been directly targeted, despite extensive militia-linked criminality.[14]

11. Hazem Zahab, "Why Is Qatar Investing in Iraq?," KJ Reports, June 15, 2023, https://kjreports.com/why-is-qatar-investing-in-iraq
12. Simon Watkins, "Why Qatar Was Included in TotalEnergies' Iraqi Megaproject," OilPrice.com , November 6, 2024, https://oilprice.com/Energy/Natural-Gas/Why-Qatar-Was-Included-In-TotalEnergies-Iraqi-Megaproject.html
13. Muhanad Seloom (Professor of Strategic Security Studies, Doha Institute for Graduate Studies; Senior Nonresident Fellow, Middle East Council on Global Affairs and Gulf International Forum), interview by author, June 2026.
14. Muhanad Seloom (Professor of Strategic Security Studies, Doha Institute for Graduate Studies; Senior Nonresident Fellow, Middle East Council on Global Affairs and Gulf International Forum), interview by author, June 2026.

Doha's response has been deliberate. Qatar has relied on formal state channels, including joint committees, investment agreements, and MoUs, rather than informal networks. This serves as both risk management and a political signal: investment depends on Iraq's ability to provide a predictable and secure environment. For Iraqi policymakers, this conditionality is not an obstacle but an incentive to strengthen state institutions and attract broader Gulf engagement. Mr. Al-Ishaq rejects the notion that Qatar seeks to draw Iraq into a specific geopolitical alignment, stressing instead that "Qatar has maintained constructive relations with a wide spectrum of Iraqi political actors."[15] By engaging a wide range of political actors, Doha has gained an advantage (in contrast to its neighbors) in accessing Iraq's economic and investment opportunities.

Qatar has maintained constructive relations with a wide spectrum of Iraqi political actors.

Abdulaziz Al-Ishaq

According to Dr. Seloom, Qatar's engagement in Iraq follows a selective model focused on large-scale energy and infrastructure projects. Its resilience stems from structured investments, international partnerships, and relatively secure operating environments rather than state-to-state channels alone. While effective for major projects, the model has limited reach into Iraq's wider private sector, resulting in a footprint that is deep but narrow.[16] The IMF's Article IV review similarly argued that reforms in labor markets, the financial sector, anti-corruption, and state capacity are essential for turning investment pledges into lasting economic gains. Without them, Gulf capital risks reinforcing patronage networks rather than productive investment. The main constraint is not only Gulf willingness, but Iraq's absorptive capacity.

A further risk concerns the Kurdistan Region of Iraq (KRI), which remains largely excluded from the Development Road framework.[17] This could narrow the project's economic base and create political friction between Erbil and Baghdad. If the Development Road is to serve as a genuinely integrating infrastructure project, the KRI's position must be resolved. The most significant risk to the relationship is the wider regional conflict centered on Iran. Because Iraq hosts both Iran-aligned armed groups and U.S. forces, it remains vulnerable to proxy escalation and spillover violence. Sustained conflict could disrupt the air, port, and transport infrastructure targeted by Gulf investment and trigger instability in oil markets, on which Iraq's fiscal position heavily depends.

15. Abdulaziz Al-Ishaq (Qatari political analyst and media personnel), interview by author, June 2026.
16. Muhanad Seloom (Professor of Strategic Security Studies, Doha Institute for Graduate Studies; Senior Nonresident Fellow, Middle East Council on Global Affairs and Gulf International Forum), interview by author, June 2026.
17. Mohammed A. Salih, "Iraq's Development Road: No Place for Kurdistan?," Sada, Carnegie Endowment for International Peace, August 23, 2023, https://carnegieendowment.org/sada/2023/08/iraqs-development-road-no-place-for-kurdistan

For Qatar, the exposure is more direct than for any other Gulf investor. Almost all of Qatar's liquefied natural gas exports, the foundation of the wealth it has been deploying across the region, must pass through the Strait of Hormuz, and unlike Saudi Arabia and the UAE, Doha has no pipeline route that bypasses the chokepoint. The closure of the Strait and the damage to Gulf energy infrastructure during the current war therefore strike at the revenue base that funds Qatar's overseas investment, narrowing the fiscal space from which its commitments to Iraq are made.

This poses a direct question for Baghdad, of whether Qatari investment in Iraq is insulated from such a shock or among the first commitments to be deferred when Doha's own income is squeezed. Qatar's careful balancing of relations with Washington, Tehran, and its Gulf neighbors would also narrow under a prolonged conflict, reducing the diplomatic space on which its Iraq strategy depends.

Yet the same disruption cuts the other way. A chokepoint that can be closed at will is precisely the vulnerability that makes diversification attractive, and Iraq offers Qatar exposure to energy, logistics, and overland routes that do not depend on Hormuz. The Development Road, which Doha backs, is in part a wager on corridors running north through Türkiye rather than south through the Gulf. On this logic, a sustained threat to Hormuz could make Qatar's Iraqi investments more strategically valuable rather than less, provided the war does not also render Iraq itself too unstable to operate in. Whether Doha reads the moment as a reason to retrench or to deepen its position is one of the central uncertainties now hanging over the relationship.

According to Mr. Al-Ishaq, Qatar's foreign policy is defined by its role as a neutral mediator able to engage competing actors, a position it has maintained even during periods of tension with Iran. The sustainability of this approach rests on Qatar's preference for avoiding rigid alignments and on the shared interest of regional and international actors, including Iran and the United States, in preserving Doha as a credible intermediary.[18] This interpretation aligns with how Qatar has long navigated a delicate balance between Washington and Tehran, avoiding alignment with either side while leveraging its position as a diplomatic intermediary to facilitate backchannel communication between the two powers in pursuit of de-escalation.[19]

A prolonged regional conflict would strengthen Iran-aligned factions in Iraq, deepen the militia economy, and raise the cost of investment in key infrastructure and energy projects. For initiatives such as the Development Road and the Gas Growth Integrated Project, sustained instability could increase security risks and encourage a more cautious Gulf investment approach. The durability of Qatar-Iraq cooperation may therefore depend on insulating economic ties from regional instability.

18. Abdulaziz Al-Ishaq (Qatari political analyst and media personnel), interview by author, June 2026.
19. Giorgio Cafiero and Andreas Paraskevopoulos, "GCC Dispute Pushes Iran and Qatar Closer but with Caveats," IranSource (Atlantic Council), June 17, 2019, https://www.atlanticcouncil.org/blogs/iransource/gcc-dispute-pushes-iran-and-qatar-closer-but-with-caveats/

Implications for Iraq–GCC Integration

What does the Qatar relationship tell us about the prospects for Iraq's broader economic integration with the Gulf? The honest answer is encouraging but conditional. Qatar's case is in part specific to Qatar. Its ability to work across Iraq's factional lines owes much to its non-confrontational posture toward Iran, and Seloom's account of a footprint that is deep but narrow shows how far the model is built around large energy and infrastructure projects rather than the wider economy. Those conditions will not reproduce elsewhere, and no two Gulf states will engage Iraq for the same reasons or through the same channels. What Qatar offers, then, is a demonstration rather than a blueprint. None of the Gulf states can afford to ignore a market of Iraq's scale and consumer base, and Qatar shows that self-interested bilateral engagement, pursued on each state's own terms, can still accumulate into real economic integration, provided Baghdad supplies the governance to sustain it.

Integration does not require GCC membership or a single institutional framework. Given Iraq's ties to Iran, the United States, and Türkiye, any integration model must accommodate Baghdad's sovereignty concerns and multiple alignments. The Qatar model shows this is possible. Bilateral investment, the Development Road, and private-sector engagement can generate the economic linkages usually associated with formal integration. Together, Saudi electricity interconnection projects, UAE involvement in Grand Faw Port, and Qatar's multi-sector investments are already creating a de facto integration that is reshaping Iraq's economic geography.

The durability of this integration ultimately depends on decisions made in Baghdad. GCC states engage Iraq because they see economic and strategic value, but this will endure only if Iraq improves governance, protects investment from the militia economy, reduces business costs, and delivers on key infrastructure commitments. In this regard, the ongoing disarmament campaign is a positive signal of the state's effort to strengthen control over the economy and reflects growing political and societal resistance to continued militant influence, despite concerns over the process itself.

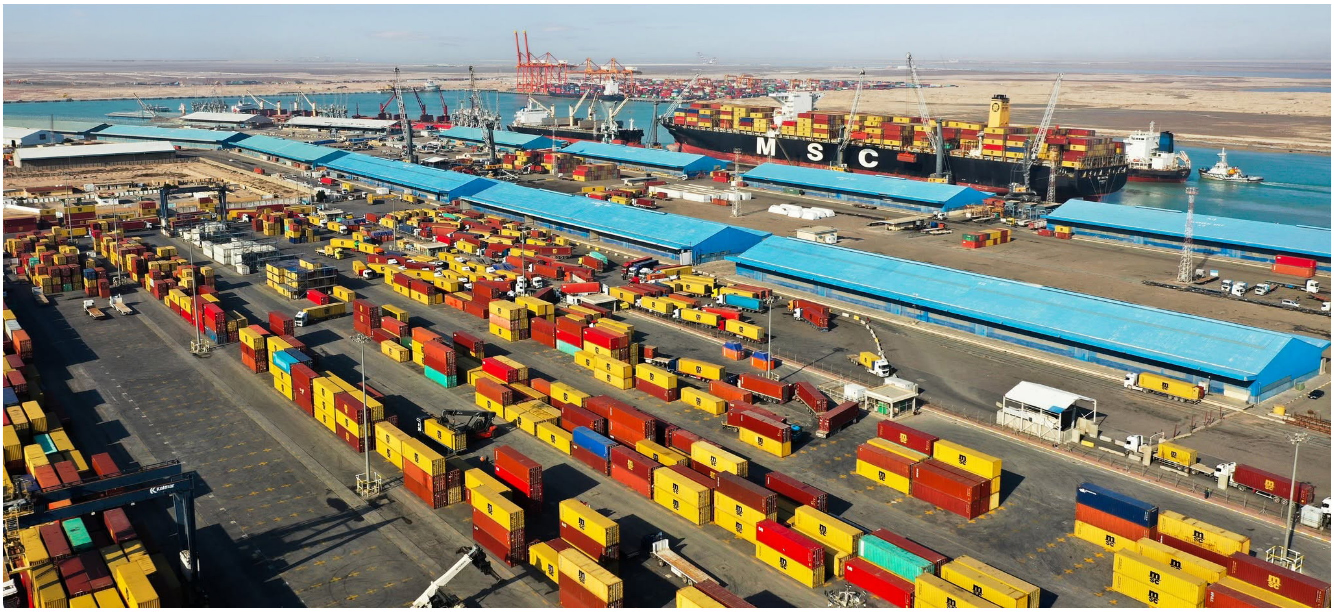
Beyond the existing economic relations, potential industries or markets in Iraq that could be of Qatar's economic interest include, but are not limited to: renewable energy; digital economy and technological infrastructure; education, research, and career development; and reconstruction and infrastructure.[20] From Baghdad's perspective, the concentration of Gulf interest is a rare strategic asset. Qatar's $9 billion commitment [excluding Qatar's stakes in the TotalEnergies' project], the UAE's involvement in Grand Faw Port, Saudi electricity interconnection projects, and the Development Road MoU reflect unprecedented confidence in Iraq's economic future. Yet this confidence is not unconditional. The key question is not only whether the Gulf is willing to engage, but whether Iraq can provide the governance and operating environment needed to turn investment pledges into lasting economic transformation.

Qatar's experience suggests the pathway is open. Whether Iraq walks it is a decision that rests with Baghdad, and on whether it can turn a rare moment of Gulf interest into the governance and operating environment that lasting investment requires.

20. Mohamed Jafar Al-Sadr (Ambassador of Iraq to Qatar), interview by author, June 2026.

Looking Beyond Oil: How Hormuz Disruption Is Reshaping Iraq-GCC Trade

ABDULLA AL-KALISY



Source of photo: Basra Multipurpose Terminal BMT, facebook page

After years of hesitation and disruption following Iraq's invasion of Kuwait and the subsequent removal of Iraq's observer status from the Gulf Cooperation Council (GCC),[1] the last decade has witnessed slowly growing Iraq-GCC integration. While this growth is marked by official transnational agreements, Memoranda of Understanding (MoU), and investment commitments, it represents only a part of the picture.[2] Integration of this kind rests both on formal agreements between governments, and on the everyday commercial relationships that connect Iraqi businesses to GCC logistics and distribution networks. With the current conflict, beginning on the 28th of February with a US-Israeli attack on Iran,[3] and the subsequent closure of the Strait of Hormuz, both layers of this integration have been placed under strain.

1. Yerevan Saeed, 'Iraq Deepens Ties With GCC Neighbors', Arab Gulf States Institute, 2023, https://agsi.org/analysis/iraq-deepens-ties-with-gcc-neighbors/
2. This model includes a 2019 MoU signed between the GCC General Secretariat and the Iraqi Ministry of Foreign Affairs, to enhance integrated economic and security development; see Naza Mohamed, "Iraq, GCC Sign MoU for Enhanced Cooperation," Anadolu Agency, 2019, https://www.aa.com.tr/en/middle-east/iraq-gcc-sign-mou-for-enhanced-cooperation/1461918 . The 2018 Iraq Conference hosted by Kuwait with $30 billion committed to aid in rebuilding Iraq; see Deutsche Welle, "Kuwait Summit: $30 Billion to Rebuild Iraq," Deutsche Welle, 2018, https://www.dw.com/en/kuwait-summit-promises-30-billion-in-iraq-reconstruction-aid/a-42586658 Saudi Arabia and the UAE's 2021 commitment to furthering their investment in Iraq by $3 billion; see Mina Aldroubi, "Iraq's Plan to Diversify Regional Trade Relations Aims to Fend Off Iran's Influence," The National, 2021, https://www.thenationalnews.com/mena/iraq/iraq-s-plan-to-diversify-regional-trade-relations-aims-to-fend-off-iran-s-influence-1.1197721 Qatar's Foreign Minister's visit in 2021 to Baghdad to initiate a joint committee to enhance the economic integration between the two countries; see The Arab Weekly, "Qatar Leverages Gulf Reconciliation, Iran Ties in a Race for Influence in Iraq," 2021, https://thearabweekly.com/qatar-leverages-gulf-reconciliation-iran-ties-race-influence-iraq Currently , Iraq-GCC relations are being shaped by Iraqi-Kuwaiti tensions over the Khor Abdullah waterway dispute; see Rami Alkhafaji and Safwan Al-Amin, "Can Iraq and Kuwait Transform the Khor Abdullah Waterway Dispute into a Regional Diplomacy Model?," Atlantic Council, 2025, atlanticcouncil.org —despite assumed improvements in relations with the ending of Iraq's payment obligations after the invasion of Kuwait in 2022; see Taha Alani, "Ma Igh'laq Malaf al-Ta'weeth... Ma Shekl al-'Ilaq'a Wa Mu'heet'hu al-Khaleeji? [With the Compensation File Closed... What Will the Relationship Between Iraq and Its Gulf Neighbors Look Like?]," Al Khaleej, 2022, alkhaleejonline.net . Finally, evolutions in Saudi Arabian regional diplomacy towards Iran through Iraq; see Zeidon Alkinani, "Current Iraq-Gulf Relations: Economics over Politics?," Arab Center Washington DC, 2022, https://arabcenter-dc.org/resource/current-iraq-gulf-relations-economics-over-politics/ ; and Qatar's shift to pragmatism and wider regional relations since the Gulf 2017 blockade against it, see Nussaibah Younis, "The Gulf between Them: What Arab Gulf Countries Can Learn from Iran's Approach to Iraq," European Council on Foreign Relations, 2021, https://ecfr.eu/publication/the-gulf-between-them-what-gulf-countries-can-learn-from-irans-approach-to-iraq/#_ftn7
3. Susan M. Akram et al., The US-Israel War on Iran: Analyses and Perspectives (Arab Center Washington DC, 2026), https://arabcenterdc.org/resource/the-us-israel-war-on-iran-analyses-and-perspectives/

While the disruption is usually analyzed through the security or oil sectors, what I explore here is the grassroots trade economy that is too often overlooked as an integral segment of economic integration. By grassroots, I mean the everyday commercial activity of individual traders and wholesalers who move goods through established routes and credit relationships, beneath the level of formal agreements between states. I approach these dynamics through the specific case of Iraq-UAE trade, which offers a lens onto a broader evolution in Iraq-GCC relations.

These commercial relationships are easy to overlook because they sit beneath the level of formal diplomacy, and they are harder to restore once disrupted. Where energy markets are buttressed by states and long-term contracts, grassroots trade depends on cost predictability and credit built up over time. From this economic perspective, I explore potentially overlooked sectors that – while not as dominant as energy[4] or security – may actually be harder to restore as they lack the formal backing and foundation of Iraq-GCC economic integration.[5] Specifically, and to highlight this grassroots integration, I explore the disruptions to the manufacturing and production sector that relies on grassroots traders importing construction materials from East Asia to the UAE and then to Iraq. I underscore the effects of the closure of the Strait and take a deeper look into the example of Iraq-UAE trade disruptions that could be harming Baghdad's approach to greater GCC economic integration.

Ultimately, from Baghdad's point of view, disruption and reconfiguration of GCC trade corridors possess important implications for its regional economic integration approach. Iraqi businesses typically utilize the UAE's Jebel Ali Port located on the Gulf, viewed by Iraqi traders within the regional trade economy as a safe and predictable route. UAE's Jebel Ali Port is ideally placed en route from China, Thailand, and Singapore to Iraq that are typically utilized to import construction materials (pipes, fittings, etc.). However, even with the April 7 ceasefire,[6] the closure of the Strait continues to shift attention to alternate routes, such as the UAE's eastern port on the Gulf of Oman that leads to the Arabian Sea and then the Indian Ocean, or more consequently alternate suppliers altogether, such as Türkiye. Iraqi businesses have few other options.

The erosion of Iraq-GCC trade in overlooked sectors such as manufacturing is a meaningful, but underappreciated consequence of this crisis.

4. Kuwaiti oil output has dropped by roughly 53% while the UAE's output has dropped by 44% over the course of the war, see Spencer Kimball, 'Middle East Oil Production Plunges Due to Iran War, OPEC Data Shows', CNBC News, 2026, https://www.cnbc.com/2026/04/13/iran-war-oil-opec-production-decline.html . Separate routes such as Saudi's East-West Pipeline had been hit during the war, see Summer Said, 'Saudi Pipeline for Crude Exports Hit in Drone Attack', The Wall Street Journal, 2026, https://www.wsj.com/livecoverage/iran-war-2026-trump-deadline-latest-news/card/saudi-arabian-pipeline-for-crude-exports-hit-in-drone-attack-XElDwcHsniRl6xfUOi8s Iraq has opted to export oil overland through Syria, but struggles to maintain the same load of exports typically done by sea (amounting to 20%, see Bridget Toomey, Iraq Is Envisioning New Oil Pipelines — But They Are Likely a Pipe Dream (Foundation for Defense of Democracies, 2026), https://www.fdd.org/analysis/2026/05/05/iraq-is-envisioning-new-oil-pipelines-but-they-are-likely-a-pipe-dream/ This has spelled important developments, such as the UAE's withdrawal from OPEC, see Maha El Dahan, 'UAE Leaves OPEC in Blow to Global Oil Producers' Group', Reuters, 2026, https://www.reuters.com/markets/commodities/uae-says-it-quits-opec-opec-statement-2026-04-28/

5. The oil industry overshadowed notable significant changes to other sectors that perhaps are incapable of warranting the same attention. For example, there have been detrimental effects on food security as Iran and the GCC, particularly Saudi Arabia, Qatar, Oman, have accounted for nearly 30-35 % of global fertilizer production, see Food And Agriculture Organization, Global Agrifood Implications of the 2026 Conflict in the Middle East (United Nations, 2026), https://openknowledge.fao.org/server/api/core/bitstreams/1aafb5d8-39d1-481a-b1f8-25facaec3051/content Unlike the oil sector, there are limited internationally coordinated initiatives to solve this problem, see Nayef Al-Nabet, Maritime Chokepoints & the Changing Logic of Conflict in the Gulf (Fiker Institute, 2026), https://www.fikerinstitute.org/publications/maritime-chokepoints-the-changing-logic-of-conflict-in-the-gulf

With Türkiye available, both as a manufacturer and more predictable trade route, traders have positioned themselves as engaging in a waiting game, with their patience running out in trying to maintain their East Asia-UAE-Iraq trade route. As Seloom suggests, “The GCC is not the only actor shaping Iraq's external options. Türkiye, already Iraq's largest non-oil trading partner and the anchor of the Development Road corridor, will fill this space.”[7] The war and its aftermath are eroding some of the Iraq-GCC integration in ways many perhaps do not think about, particularly at the grassroots level. Speaking to traders on the ground that engage in this economy, as well as corporate stakeholders, I argue that the erosion of Iraq-GCC trade in overlooked sectors such as manufacturing is a meaningful but underappreciated consequence of this crisis and could consequently undo some of Iraq's recent approach to GCC economic integration.

The Limits of Formal Integration

The informally dominated Iraqi political sphere complicates any sort of growing Iraq-UAE (or GCC) integration.[8] This is highlighted in the way UAE and Iraq have signed various agreements to protect mutual investments from an Iraqi political context that is unpredictable.[9] These form a wider UAE strategy to shift its dependence away from the US, and practice some form of political hedging, building stronger regional ties with, for example, Syria even before the fall of the Assad regime.[10] Notably, however, this protective approach is designed to allow the strengthening of trade ties to protect both countries' investments from non-commercial risk, such as nationalization, confiscation, judicial seizures, and freezing.[11] The UAE's strategy and fears are understandable, as the changing internal dynamics within Iraq are neither fully controlled by the formal state institution nor centralized under any single faction.[12] Economic integration with Iraq is a complex interplay of numerous actors and renders state policy as one part of the picture.

Iraqi policy is itself fragmented, which raises the question of what is operationally possible in terms of GCC-Iraq integration, economic or otherwise. It perhaps explains why integration has been pursued more through economy than diplomacy. However, even this economic integration, which carries an informal component at the grassroots level that I explore below, is facing serious challenges with the closure of the Strait. High-level policy commitment, while important, does little to address the practical realities that traders and manufacturers currently face. Baghdad's desire to align with the GCC depends not only on agreements between governments, but on whether the ordinary commercial relationships beneath them can be sustained.

6. Bassem Mroue et al., ‘US and Iran Agree to 2-Week Ceasefire as Trump Pulls Back on Threats', AP News, 2026, https://apnews.com/article/iran-us-israel-trump-lebanon-april-7-2026-421ee64fdc9a5c26460df8119c7d1b3f
7. Muhanad Seloom, Iraq's Gulf Pivot and the Cost of Inaction (Gulf International Forum, 2023), https://gulfif.org/iraqs-gulf-pivot-and-the-cost-of-inaction/
8. Arabian Post, ‘UAE Seeks Broader Cooperation with Iraq', The Arabian Post, 2024, https://thearabianpost.com/uae-seeks-broader-cooperation-with-iraq/
9. Shweta Jain, ‘UAE Signs Deal with Iraq to Protect and Promote Investments', The National News, 2021, https://www.thenationalnews.com/business/2021/10/19/uae-signs-deal-with-iraq-to-protect-and-promote-investments/
10. Al Jazeera, ‘Syria's Assad Visits UAE in First Trip to Arab State since 2011', Al Jazeera, 2022, https://www.aljazeera.com/news/2022/3/18/syrias-assad-visits-uae-in-first-trip-to-arab-state-since-2011
11. Jain, ‘UAE Signs Deal with Iraq to Protect and Promote Investments'.
12. Toby Dodge and Renad Mansour, Politically Sanctioned Corruption and Barriers to Reform in Iraq, Middle East and North Africa Programme (Chatham House, 2021).

Wartime Iraq-UAE Trade

In my assessment of Iraq-UAE trade, one of two changes appears to be brewing. Some traders have found themselves fed up with the constant disruptions, either from the current war or from the political turmoil in Iraq, and see the closure of the Strait of Hormuz as the final straw. With the Houthis also threatening to close Bab al-Mandab,[13] traders have begun exploring alternative options to the use of the East Asia-UAE-Iraq corridor.

Traders have underscored the viability of Türkiye as a solution to the closure of the Strait, due to both its spatial proximity and its ability to provide the goods needed to maintain certain trades. Construction materials reach Iraq by sea from East Asia, transiting the Strait of Hormuz into the Gulf to the UAE's Jebel Ali Port, before moving onward into Iraq. The closure of the Strait severs this sea leg, which is why routing through Khorfakkan, Sharjah (which is located in the middle of the Emirate of Fujairah, and is oftentimes referred to as the Fujairah port despite being in Sharjah), on the Indian Ocean side of the chokepoint, has become the principal workaround. The location of the UAE, and especially, the advanced technology and infrastructure of its Jebel Ali Port, makes it a primary hub for transshipment. With its limited operations due to the closure of the Strait, in my research I found traders' complaints of cost spikes due to rerouted maritime traffic to be industry-specific. Speaking to traders I found particular changes occurring to the trade of construction materials and plastic fittings along the trade route from East Asia to the UAE, and onwards to Iraq. Those working with high-value goods such as electronics (e.g. phones, gaming consoles, etc.) are facing little disruption to their work as they can simply transfer the raised costs to the consumer. Meanwhile, traders of construction materials that import from China and Thailand, and to a lesser extent Singapore, are at a crossroads as the spike in price cannot justify continuing to use the Gulf as a port of entry. Prior to the war, the cost predictability of this route enabled traders in low-margin sectors to operate. This occurs as the rise in the price of oil has generated a trade system that faces a blow to its main source of movement.

In speaking to Iraqi traders based in Iraq and the UAE, I found that some were more concerned with the closure than others. Traders in high-value goods typically import shipping containers that are worth nearly $500,000. As one trader explained, "my containers that I would import from China or Singapore used to cost me $3000, and now they cost around $12,000, but this is not a big issue for me. I simply have to add a small markup of around $6-8 to each one of my gaming consoles or products and I'll be fine" .[14] This trader was not simply suggesting that this change would keep him afloat but would even keep him profitable within what is considered an unprecedented crisis.

Prior to the war, the cost predictability of this route enabled traders in low-margin sectors to operate.

13. Jay Hilotin, 'Oil Shock 2.0? Houthis Threaten Bab Al-Mandab Shutdown as Hormuz Drama Reignites, Crude Prices Rebound', Gulf News, 2026, https://gulfnews.com/world/mena/oil-shock-20-houthis-threaten-bab-al-mandab-shutdown-as-hormuz-drama-reignites-crude-prices-rebound-1.500513103
14. Interview with author, 2026.

Meanwhile, those importing low-value goods (such as pipes, fittings, sanitary products, furniture – these are among the traders I have spoken to, but presumably other sectors are similarly influenced) have all bemoaned their inability to operate. As one trader explained, "my goods [pipes and fittings] do not cost much, the margin I add to it is so small. Basically I am a wholesaler, so when the shipment cost jumps by this much, I can't pass that cost on to my customers, they would just leave me" .[15]

This trader in particular highlighted that himself, and many of his colleagues, operate on a credit-based system. The trust that has developed between himself and retailers makes it difficult for him to pass this cost on, and difficult for him to extend his pre-war credits to retailers. The effects of this on his business are still yet to be incurred fully. However, what I found to be more central was the feasibility of being able to hike prices to match the added cost of logistics and transport. Such low margins leave little room for profit and thus make it difficult for traders to pass on the added cost to the consumer, "I can't do anything now but wait. It's impossible for me to import anything with these prices, it just does not make sense" .[16]

What this particular trader was alluding to were the different circumstances he faces in importing compared to those working in high-value sectors. The change from a $2-3,000 shipping cost to an estimated $12,000, for a container that holds a value of $50,000, is detrimental to their trade. They cannot shift the cost onto the customer, as the 20% increase for something considered both cheap and large in size (taking up stock in the shipping container) means the product's value cannot absorb the cost without significantly harming the demand. Additionally, he explained how the effects of this are already being felt as construction in Iraq as a whole has either stopped or is being maintained by utilizing limited stockpiles of materials.

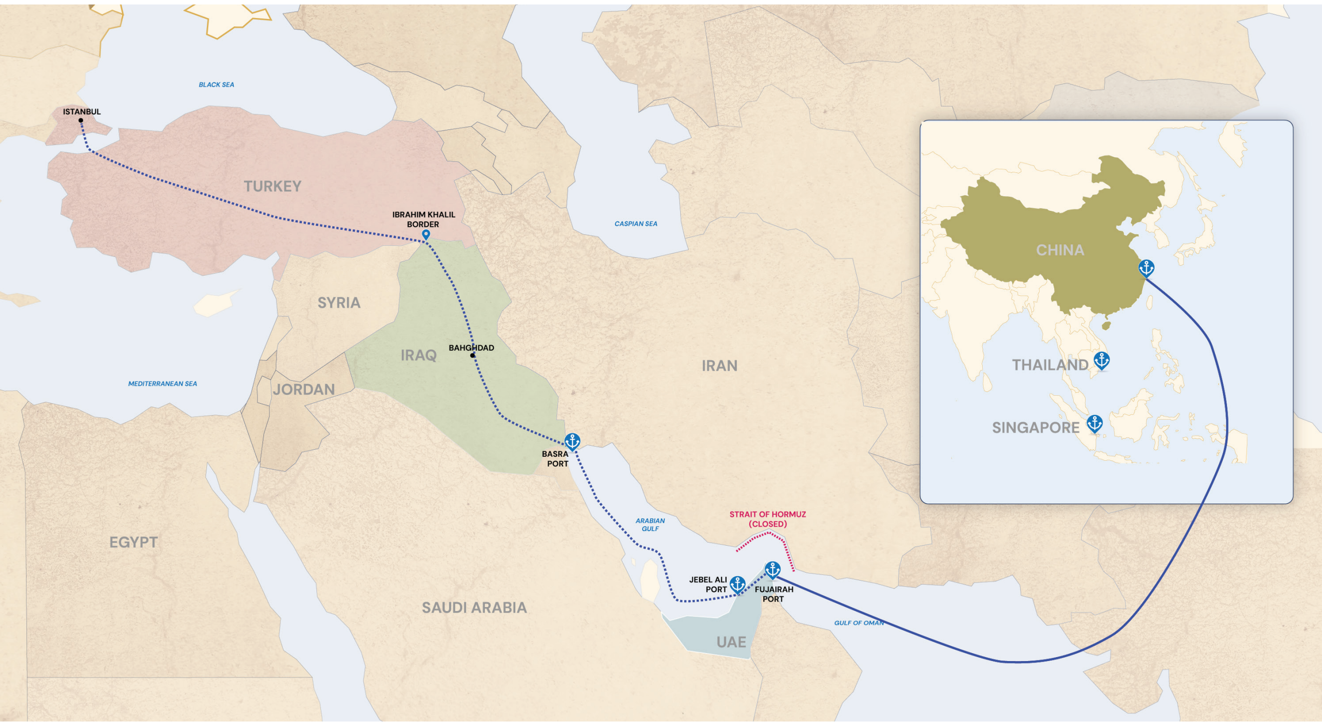
An important caveat drawn from both cases of traders is how they have begun hedging away from Iraq altogether as well. Even though high-value goods traders explain that their business is largely unaffected, there is a desire to grow away from Iraq altogether, and perhaps only focus on working between East Asia and the UAE, a feeling they feel has been somewhat justified by the current war.

One trader and, as he explains, many of his colleagues that maintain the Iraq-UAE trade economy are not multinational firms with diverse supply chains. They are smaller traders who rely on predictable costs and established credit relationships. When this is constantly under stress, either through failing transport mechanisms, or internal political turmoil in Iraq, the relationships traders have built with retailers and customers begin to erode. The consistency of the disruption has pushed many to pull away, with this war being a final straw, "I only do it [trade with Iraq] because I know its market, and to keep my foot in the door. I don't really want to anymore, I do it to give my brothers a job and keep them employed, but really, if you ask me, I think it's time to pull away" . [17]

15. Interview with author, 2026.
16. Interview with author, 2026.
17. Interview with author, 2026.

In our conversation, he made it clear that alternatives to Iraq have become more viable, and in particular with the UAE's desire to bypass the Strait by shifting its central trade port from Jebel Ali to Khorfakkan and ensuring it can maintain its trade quotas even without relying on the Strait of Hormuz.

From Jebel Ali to Fujairah



Map of the Gulf pointing through the strait and beyond

One of the reasons traders have singled out Iraq, and not the UAE, is due to the UAE presenting alternative options to the Jebel Ali port that promises to bypass the Strait. As shown in the map above, the Khorfakkan port offers access from the Indian Ocean, directly into the UAE, with its recently built Etihad Rail connecting Fujairah to the UAE's major cities and ports. However, this is currently proving to be an underdeveloped option. As one trader explained to me, "when they closed the Strait, I already had a container on its way from China to here [Jebel Ali].

We decided to have it rerouted to Khorfakkan and then had our cargo transported by truck to Jebel Ali. This little reroute alone cost us 7, 8 thousand dollars, without considering the original cost of shipping from China which was 2 thousand dollars."[18]

The closure of the Strait of Hormuz, as expected, forced a rerouting of maritime traffic. However, as this presented an opportunity for the UAE to shift its central maritime port from Jebel Ali to Khorfakkan, there is still work that needs to be done to advance its infrastructure at the pace this ambition requires. The Fujairah Oil Industry Zone (FOIZ) was established in 2011 as a strategic bet on exactly this scenario, designed to position the emirate as the heart of a new energy corridor stretching from east of the Suez Canal to Asia.[19]

18. Interview with author, 2026.
19. Fujairah Oil Industry Zone, accessed July 6, 2026, foiz.gov.ae.

However, moving goods from Khorfakkan to Jebel Ali, and then onward to Iraq, requires overland transport across a mountainous landscape that was never designed for the volume of traffic Jebel Ali processes daily. This infrastructure gap is not new, but the war has accelerated and magnified the problem and changes it may cause to the market. This has resulted in a significant cost increase. Transporting goods from Fujairah to Jebel Ali, then onward to Iraq, adds thousands of dollars per container. One trader suggested this was both the nature of an additional step in the shipment course, and the hiked wartime prices of fuel and transport. However, he stressed that "the prices will never go down to what it was, but if it would at least go down to something more reasonable, we could convince our customers to bear some of the additional cost."[20] The cost of fuel may be projected to return to some form of normalcy with the opening of the Strait, or with the UAE being able to shift its dependence to Fujairah and having withdrawn from OPEC.

Notably, this leaves the infrastructure gap of routing goods from Khorfakkan to Jebel Ali and onwards to Iraq to maintain this Iraq-UAE connection, and with the opening of the Etihad Rail that is designed to connect the UAE's main ports and cities, this appears to be a short-term issue. However, Fujairah, a mountainous and – comparatively to other Emirates – underdeveloped region, requires more efficient and potentially large-scale logistics zones such as those that define Jebel Ali. The UAE appears to be aware of this as one stakeholder explained to me, but its main concern is maintaining the oil economy through Fujairah. As the website boasts, the capacity of the FOIZ is in the region of 70 million barrels, making it the Middle East's largest commercial storage capacity for refined oil products.

However, there is a window that the Iraq-UAE market is now operating within, wherein if traders begin cementing their shift towards Türkiye, and Türkiye in turn captures this market share, especially if credit relationships reorient in this direction perpetuating trade relationships, Iraq-UAE may struggle to bounce back within these sectors. The policy question becomes whether, as the UAE appears to be doing, Iraq can accelerate infrastructure solutions to preserve these trade relationships before they shift.

Speaking to business owners and stakeholders in the UAE, it became clear that while the Khorfakkan port offers limited solutions, it is perhaps a problem the UAE does not recognize as urgently as Iraq may. That is, it is already understood that currently Khorfakkan's port cannot, by way of infrastructure or size, offer what the Jebel Ali Free Zone (JAFZA) and port offers. This has created an understanding within Iraq-UAE business relations that no matter the current harm to trade routes, trade will inevitably return to JAFZA, and what is perhaps offered elsewhere in terms of routes through Bab al-Mandab remain short-term solutions for traders. As it stands the Fujairah port is being rebuilt and expanded to be able to take on some of JAFZA's traffic, but it faces hurdles and a long path to reaching the size and structure of Jebel Ali.

If Türkiye was genuinely cheaper and better, traders would have shifted their businesses there even before the war.

20. Interview with author, 2026.

Some may argue that the Etihad Rail, the UAE's new rail system that operates from Fujairah in the East to the UAE's western border, passing through major cities, including Dubai, offers a solution. However, in my conversations with stakeholders, it was clear this was not one of the major concerns of the nation's economic infrastructure. Stakeholders continuously insisted that there will be an inevitable return to Jebel Ali, as one said, "once things go back to normal", citing the port's size and advanced infrastructure as too large to fail. Even when I pushed him to consider the shift of Iraqi traders to Türkiye for their materials, he dismissed the concern.
He argued that these secondary markets would come back regardless, and that even if they did not, their influence on the UAE's market was minimal. He acknowledged that Jebel Ali makes money both from traders that bring materials and sell them at the port, and from serving as a passage point into Basra. But he maintained that if Türkiye was genuinely cheaper and better, traders would have shifted their businesses there even before the war. He further brushed off the secondary market that JAFZA had offered Iraqi traders, whereby imports from East Asia would either use Jebel Ali as a stop on the way to Basra, or be sold from East Asia to traders in Dubai who would then sell their materials onwards to Iraq, generating various customs revenues for the UAE.

The Shift to Türkiye

Traders' short-term issue remains cost and logistics. As traders look towards Türkiye, bypassing the closure of the Strait, the question is whether infrastructure development at Fujairah (or the reopening of the Strait) can stabilize the route or whether Iraq's supply chains will reorient northward, with lasting consequences for both Iraq-Asia and Iraq-GCC economic integration.

Faced with seemingly unviable Gulf routes, as well as growing distrust with the Iraqi market, traders explained where their more long-term solutions lay. Türkiye appeared to be the constant solution to both the issue of trade reroutes and supply disruptions, particularly when looking at construction materials. One trader explained this to me in detail, that the decision to look to Türkiye as either the route or the supplier itself is based on a complex reading of the Iraqi market:

"First of all, I cannot rely on the Chinese or Thai market anymore when the Strait stays closed. And if construction starts up again, I think the transport companies are going to look to either bring things through Bab al-Mandab, through Türkiye, I don't know some way like that. It might cost more but it will at least be reasonable. Or, the other solution, is I start to bring my materials [pipes and fittings] from Türkiye. You cannot bring these materials from Saudi, even though they have factories themselves, they make these materials too high-end, like the Europeans. The Iraqi market will not accept that, they want something in between cheap and reasonable. I cannot sell these Gulf products on the Iraqi market, so the solution is Türkiye. They have the right materials, it's a little more expensive than China and Thailand, but it's there, and it has easy access to Iraq. The route is already there and ready." [21]

21. Interview with author, 2026.

With much to unpack here, I asked this trader what the situation would be should the rise in transport prices make Gulf products price-competitive. The answer remained similar, where he insisted that these products are not desired in Iraq. He continuously insisted on brand recognition, wherein Gulf products, whether in reality or perceptually, are considered too high-end for the needs of the Iraqi market. This suggests that there is movement occurring within the Iraqi-GCC market that may not recover from the war and Strait closure. The compounding reasons are pushing traders westward, into what is considered a less contested, and more predictable route.

Ultimately, while the GCC's concerns lie elsewhere, traders on the ground are reorienting their flows away from the Gulf. This matters because these grassroots trade ties have historically tightened Iraq-GCC integration. If Baghdad allows this shift to continue unchecked, it risks undermining its strategic objective since the late 2010s, that is, to reorient Iraq's economic dependence away from Iran.[22] That strategy was always about encouraging Iraq-Gulf engagement, that promised GCC businesses the ability to operate without becoming entangled in Iraq's complex internal politics, steadily building ties that outlast any single administration or political situation in Baghdad.

Policy Recommendations and Conclusion

The closure of the Strait of Hormuz has exposed a quiet crisis in Iraq-Gulf economic integration, one that extends beyond oil exports and food security headlines. The traders who move manufacturing inputs through the UAE to Iraq are being priced out of a route they once relied upon for its predictability and cost stability. These overlooked sectors lack the scale to absorb massive shipping cost increases, and their erosion represents a meaningful but underappreciated consequence of the war. Some have already begun redirecting their supply chains toward Türkiye, drawn by product suitability and the promise of a less contested route. What makes this shift significant is its direction, as trade relationships built on credit and trust among smaller traders do not reorient easily, and once they do, they take time to be pulled back.

These traders operate beneath the level of formal agreements but can be the foundation upon which longer term economic alignment takes root. If Baghdad and its Gulf partners allow this reorientation to unfold without intervention, they risk undercutting a strategic objective that has driven Iraq-GCC engagement since the late 2010s. For the newly formed government of Prime Minister Ali al-Zaidi, the erosion of these routes presents a practical obstacle to maintaining the informal foundation of Iraq-GCC integration. Al-Zaidi's past as a businessman will perhaps lead him to recognize that high-level memoranda of understanding do not solve the problems of traders on the ground. Baghdad should establish direct engagement with chambers of commerce, traders' associations, and transport companies to understand where the real friction points lie.

22. Abbas Kadhim, 'The Geopolitical Imperative of Iraq-GCC Relations', Arab Gulf States Institute, 2026, https://agsi.org/analysis/the-geopolitical-imperative-of-iraq-gcc-relations/ Ashraf Moammed Kishk, 'Iraq and the Security Situation in the Gulf Region: Advantage or Threat?', in GCC Relations with Post-War Iraq: A Strategic Perspective, ed. Omar Al-Ubaydli and Andrea Plebani (Gulf Research Center, 2014), 54.

The Iraqi government could also consider targeted support for low-value sectors, including temporary tariff reductions, expedited customs clearance, or subsidized freight costs for containers moving from Fujairah to Iraqi border crossings. Rather than permanent subsidies, the goal would be a bridge until infrastructure solutions mature or the crisis of the Strait is resolved. Al-Zaidi's administration must also act on information asymmetry. In partnership with the GCC General Secretariat, Baghdad could establish a publicly accessible dashboard tracking container freight costs, transit times, and route viability from Khorfakkan, Jebel Ali, and Turkish ports to Iraqi border crossings. Traders currently operate with limited visibility into alternative routes, and better data could limit fears that are perhaps outdated.

For wider GCC stakeholders, the preservation of Iraq-GCC trade routes should be treated as a strategic priority, not solely a commercial one. The nearly decade-long effort Gulf states have spent trying to pull Iraq's economic center of gravity closer to themselves was about steadily weaving ties that could outlast any single administration or political crisis in Baghdad. The closure of the Strait threatens to undo this work at the most basic level of trade. If Iraqi traders permanently reorient their supply chains toward Türkiye, the Gulf loses both a trade route and an opportunity to engage with Iraq's economic alignment at a moment when that alignment is being contested by the regional war. This would mean directly engaging with the Iraqi government on infrastructure solutions, supporting data transparency initiatives, and recognizing that low-value sectors, while less glamorous than energy or defense, are the foundation upon which longer term economic integration is built within Iraq's complex political sphere.

The window to act, however, is narrowing quickly. Every container rerouted through Türkiye, credit relationship that shifts northward, and trader who decides that Iraq is no longer worth the hassle makes the return to a Gulf-oriented trade corridor harder to reverse. If Iraqi and Gulf policymakers want Iraq to remain within the Gulf's economic orbit, they cannot afford to wait for normalcy to return.

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