



The Future of the Iraqi Kurds

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Policy Focus #85 | July 2008

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Published in 2008 in the United States of America by the Washington Institute for Near East Policy, 1828 L Street NW, Suite 1050, Washington, DC 20036.

Design by Daniel Kohan, Sensical Design and Communication

Front cover: Kurdish Regional Government *peshmerga* survey the terrain south of Dahuk, Iraq, April 1, 2003.
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Introduction

IN FEBRUARY 2008, a four-member Washington Institute delegation visited the Kurdish Regional Government (KRG) in northern Iraq on a fact-finding mission. The trip proved helpful in analyzing the KRG's political and economic situation, both domestically and internationally. Following the trip, the delegation identified seven benchmarks for U.S. policymakers and other actors looking to assess the KRG's prospects:

- economic development
- political freedom
- corruption
- security
- relations with the United States
- relations with the rest of Iraq
- relations with Turkey, Syria, and Iran

This Policy Focus includes detailed reports on each of these benchmarks. In chapter 1, Institute visiting fellow David Pollock reports on political freedoms, corruption, and economic development in the KRG. In chapter 2, senior fellow Soner Cagaptay reports on the KRG's ties to the United States, the rest of Iraq,

and Iraq's neighbors. In the next two chapters, visiting Lafer international fellow Michael Knights analyzes the security benchmark, while Schusterman Young scholar Audrey Flake writes on the oil issue, providing a fuller view of the KRG's Iraqi and U.S. ties.

Taken together, these trip reports highlight the important implications that the KRG's internal and external situation hold for U.S. policy. The authors present new findings on a variety of issues, such as the KRG's financial dependence on Baghdad—a factor that puts the lie to talk of Iraqi Kurdish independence. The report also sheds light on the KRG's “love-hate relationship” with Iran as well as its policy of eschewing military action against the Kurdistan Workers Party (PKK). On the latter point, the authors show how the presence of PKK bases inside the KRG and their use as launch points for terrorist attacks into Turkey continue to haunt Turkish-KRG and Turkish-Iraqi relations alike. Last but not least, this Policy Focus presents important findings on the KRG's internal political stability and economic situation, debunking assumptions that its markets are booming or that it enjoys billions of dollars in Turkish investment.

The Kurdish Regional Government in Iraq: An Inside Story

David Pollock

A TRIP TO THE KRG—composed of the Irbil, Dahuk, and Sulaymaniya provinces in northern Iraq, with a mostly Kurdish population of approximately 4 million—is a study in political relativism. Compared to the rest of Iraq, or indeed, to some other countries in the area, this autonomous region is more stable, more prosperous, and more secure. At the same time, the KRG is not free of factionalism, repression, corruption, or economic deficiencies; like the rest of Iraq, it is still a work in progress. As the KRG's prime minister, Nechirvan Barzani, put it in a recent interview, "Our political system, our judicial system, our physical infrastructure and our educational system are in great need of modernization, but we will persevere with the help of our friends and by the fruits of our labor."¹

U.S. vice president Dick Cheney accentuated the positive side of this picture on a visit to the regional capital of Irbil in March 2008, the highest-level such U.S. visit ever, praising

the special friendship between the United States and the people of Iraqi Kurdistan. The results have been quite remarkable for all to see, in terms of the development and prosperity of this part of Iraq. The transformation that has occurred in less than two decades [since the 1991 establishment of the U.S. protective "no-fly zone" over northern Iraq] sets an extraordinary example, I believe, for the rest of Iraq and for what is possible, with patience and resolve, when the United States and the people of Iraq join together in a common effort and strategic partnership.²

Given such hopes, what does the future hold for the KRG politically and economically? To answer this question, this chapter focuses on the specific areas

that have generated the greatest controversy in recent times,³ starting with the latest debates over human rights in that part of Iraq and moving on to broader political, social, and economic topics and trends: party politics and "consensual government," corruption and good governance issues, civil society, public opinion, economic policy and conditions, and Islamist currents.

Human Rights: Half Empty or Half Full?

One of the most common judgments heard in discussions with informed local observers in the KRG, whether inside the government or completely outside and even opposed to it, is that the region remains caught in a *marhali intiqali*, a transitional phase. This judgment applies particularly, one is apt to hear, to the human rights situation in the region, which is still seriously flawed but slowly getting better. Journalists and nongovernmental organizations (NGOs) note, for instance, that some restrictive Baath laws affecting them are still on the books, even as they actively debate the details of new draft legislation on their issues.

In many respects, Steffan de Mistura, the UN Special Representative for Iraq, echoed this judgment in a March 2008 updated report on human rights in Iraq as a whole. He noted that "even with improvements, this is not enough." KRG abuses he cited included arrests of journalists who criticized local authorities; detention of individuals with no charges; and "honor killings" or coerced suicides of women, probably numbering in the hundreds each year. At the same time, the report noted that the KRG was moving to address the problem of violence against women. A senior official in Irbil confirmed that his government

1. "A Vision for the Future: Professor Brendan O'Leary Interviews Prime Minister Nechirvan Barzani," in *The Kurdistan Region: Invest in the Future* (Washington, D.C.: Kurdistan Regional Government/Newsdesk Media, 2008), p. 47.
2. "Remarks by Vice President Cheney and Kurdish Regional Government President Barzani," Kurdish Media (Irbil), March 19, 2008. Available online (www.iraqupdates.com/p_articles.php/article/28785).
3. See for instance, Michael Rubin, "Is Iraqi Kurdistan a Good Ally?" *Middle Eastern Outlook* no. 1, American Enterprise Institute Online, January 7, 2008. Available online (www.aei.org).

and the prime minister were “personally” concerned with the issue.⁴ Unfortunately, the past few months have witnessed no evidence of any abatement in this scourge.

Regarding freedom of the press, lively independent and even opposition media outlets flourish inside the KRG, although they suffer some infringements and occasional intimidation. The legal status of the press is ambiguous on some issues, and new legislation is still pending as of June 2008. Government officials or their allies have in some instances filed civil lawsuits or engaged in harassment of journalists for “defamation” of public figures, including the local translator and publisher of a highly critical article by Michael Rubin, published by the American Enterprise Institute in January 2008.⁵ For example, in late March 2008, Iraqi president Jalal Talabani, as head of the Patriotic Union of Kurdistan (PUK), directed party members not to criticize any Kurdish politicians in the press, on pain of being expelled from the party. The immediate result, however, was more media criticism—particularly in the publications of rival PUK former factional leader Noshirwan Mustafa.⁶

Overall, on the basis of several meetings with a wide spectrum of local reporters, editors, and publishers in both Sulaymaniya and Irbil in February 2008, the independence and influence of the press have grown over the last several years—leading, rather paradoxically, to more episodes of official action against it. For example, the editor of *Laveen* (Kurdish for “in motion”), widely considered the most “scandalous” (and most popular) magazine in the KRG, was by his own account detained for thirteen hours by Kurdish Democratic Party (KDP) security forces in mid-2006 after publishing “anti-government” articles. But he was released unharmed and today continues to publish regular and plainly inflammatory pieces about all kinds of alleged official duplicity and misconduct.

Press exposure, these and other journalists maintain, has in a few instances resulted in positive change. They cite as a prime example the closing last year of Akri (Aqra) prison, an unacknowledged detention center operated by KRG security forces, which reporters had labeled “the Bastille of Kurdistan.” In a high-profile individual case, following a concerted local and international media campaign, the prominent journalist and political activist Kamal Said Kadir was released from a two-year detention in 2007. Now in exile in Vienna, he was allegedly assaulted there in February 2008 by a bodyguard of Masrur Barzani, the KDP intelligence chief (who is also KRG president Massoud Barzani’s son and heir apparent), resulting in an Austrian arrest warrant against the bodyguard. This information was immediately reported in the online Kurdish media, eliciting a public apology on Kurdish television by the younger Barzani a few weeks later.⁷

On broader issues of police procedure and other civil rights matters, the 2007 U.S. State Department Human Rights Report for Iraq cites reports (including a detailed account by Human Rights Watch) of various abuses by KRG officials and security forces, including secret detentions and torture. The State Department report also claims partisan pressure tactics in employment and other areas, and discrimination against minorities, especially in bordering areas outside the KRG but claimed by the KRG and policed by Kurdish forces (e.g., Kirkuk and Mosul).

As a whole, however, this report clearly implies that the human rights situation in the KRG is better—both by comparison with the rest of Iraq and by comparison with previous years. Among the relevant conclusions, worth quoting here at some length, are favorable judgments concerning religious coexistence and treatment of displaced persons:

In Irbil, Sulaymaniyah, and Dohuk, the three provinces comprising the majority of the area under the

4. Erica Goode, “U.N. Urges Iraq to Address Human Rights during Lull,” *New York Times*, March 16, 2008.

5. Rubin, “Is Iraqi Kurdistan a Good Ally?”

6. Azeez Mahmood and Rebaz Mahmood, “Talabani Supporters Rally over Media Controversy,” Institute for War and Peace Reporting (IWPR), Sulaymaniya, April 4, 2008. Available online (www.iraqupdates.com/p_articles.php/article/29528).

7. Personal communications to the author, Sulaymaniya and Irbil, Iraq, February 2008.

jurisdiction of the KRG, there were fewer reports of sectarian violence than elsewhere....Despite credible reports of KRG discrimination against religious minorities, many members of Christian, Muslim, Yazidi, and other religious denominations fled to the region to escape violence and religious discrimination in other parts of the country....

IDPs [internally displaced persons] within the KRG numbered more than 163,000 in September [2007], with most arriving after February 2006 [when large-scale sectarian violence and ethnic cleansing spiked in central Iraq]. Hygiene and sanitation for IDPs were generally better in the KRG than in other areas; however, shelter, food, and other concerns remained critical.⁸

Comparing 2007 with 2006 yields a favorable judgment about progress on other key points as well:

Unlike in the previous year, there were no new reports of KRG security forces using excessive force that resulted in deaths.... Unlike in 2006, there were no reports that KRG security services killed or detained protesters when multiple demonstrations protested government corruption and poor services.⁹

All together, the human rights situation in the KRG can be fairly described, especially considering its own history and circumstances, as middling. Room for improvement certainly exists, and in fact some improvements are taking place, along with occasional backsliding. Personal safety and a large measure of personal freedoms are generally guaranteed, even if fully satisfactory political rights, press freedoms, or prison conditions may not be. As a result, the focus of discussion has narrowed from the basic rights and needs of the entire population to special cases of discrimination or abuse, including a continuing stream of reports about violence against women—or else to more rarefied issues, such as corruption, which merits a special section in the discussion that follows.

Party Politics and ‘Consensual Government’

Under Iraq’s constitution, the KRG has a large measure of political autonomy within its own regional boundaries, including (by most competent interpretations) primary legislative, budgetary, and administrative authority. As of this writing, the KRG still has no written constitution of its own, although its current government is drafting one for presentation to the regional parliament.

In theory, this parliament, which has functioned in northern Iraq since 1992—soon after Saddam’s forces were largely forced out of the region—is the supreme authority of the KRG. In practice, parliamentary oversight is weak but gradually getting stronger. In 2007, for the first time, parliament exercised its prerogative to call in cabinet ministers for questioning on about a dozen occasions, and in early 2008, parliament received a detailed current government budget with just enough lead time to allow some real debate for the first time.

Political diversity and control. Beyond any formal institutional structures, however, the parliament and the executive are under a form of joint management by the two top traditional Iraqi Kurdish political parties: the KDP, led by KRG president Massoud Barzani and members of his extended family and their associates; and the PUK, led by Iraqi president Talabani, and long affiliated with his family, friends, and political protégés. Organized political opposition is tolerated and indeed visibly represented in both main branches of government, but it is also effectively marginalized precisely because the two major parties have put aside ferocious past conflicts in favor of a kind of political condominium over the KRG as a whole. In fact, the KRG actually provides major funding for both dominant parties, along with minor funding for other parties, in a way that helps preserve the existing political balance.

8. Bureau of Democracy, Human Rights, and Labor, U.S. Department of State, “Country Reports on Human Rights Practices, 2007: Iraq,” March 11, 2008, pp. 4, 14, 16. Available online (www.state.gov/g/drl/rls/hrrpt/2007/100596.htm).

9. *Ibid.*, pp. 3, 13.

A recent official KRG publication makes the point, at least indirectly. Adnan Mufti, speaker of the KRG parliament, claims with some reason that this body

reflects the political and ethnic composition of the region. Following the elections of 2005, 39 seats each are held by the KDP and PUK, 15 are held by the two Islamic parties, five by the Assyrians, four by the Turkomans, three by the communists, two by the socialists, one by the Toiler's Party, and one place is shared by smaller parties. A quarter of our members are women.¹⁰

Yet his article is also plainly entitled "The Kurdistan Region's Consensual Government," and it explicitly "defends the unity program of the Kurdistan Region's coalition government" as follows: "In order to capitalize on the liberation of 2003, the region's political parties have banded together, laying aside political differences, to achieve the greatest possible good for our people."

In other words, a certain amount of political diversity is compatible with political control by a solid alliance between the two major parties, which between them enjoy a crushing majority and effectively run the entire government, with limited allowance for other, much smaller parties and groupings. "Democracy" in the KRG is not a standard two-party system, with competing parties alternating in power. Rather, it is more like a power-sharing arrangement between two parties, albeit an elected one, with the KDP and the PUK splitting up the KRG territorially. The two parties, which each control roughly half the KRG—the KDP in the west and the PUK in the east—have each had exactly the same number of deputies in the regional parliament since 1992, helping ensure political parity between them. In combination, so long as they remain close partners, they can dominate the political process in the KRG as a whole.

2008 elections. This exquisite balance, which both parties are reluctant to disturb, is probably one reason

why the Kurds have given themselves the option of staying out of the provincial elections recently scheduled to be held throughout Iraq by October 2008. It may also be one reason why the Kurds have been surprisingly willing to put off, and perhaps even agree to find ways around, the constitutionally mandated referendum on Kirkuk and its vicinity. In addition to all the other problems involved with Arab, Turkmen, and other populations, which are undoubtedly sufficiently serious unto themselves, many off-the-record discussions with KRG officials and others suggest that even the Kurds in and around Kirkuk are politically divided: although most of these Kurds would almost certainly vote to join the KRG, the political and security echelons lean more toward the KDP, whereas the PUK probably has more grassroots support. If such a referendum were to include a political party component, its precise results might be difficult to predict and therefore risk upsetting the KDP-PUK equilibrium that has been so demonstrably beneficial to both sides. Neither side seems particularly eager to put this balance to the test or to figure out how to incorporate it into the existing internal KRG power equation under the pressure of any tight deadlines for implementation.

The net effect is significant and twofold. On Kirkuk, the KRG is looking for "progress" only in bringing small outlying districts of majority Kurdish population into the KRG, without a new vote if possible, under UN "technical" auspices—rather than any near-term referendum inside the disputed city itself. On new elections inside the KRG, the word is now to expect no vote until mid-2009, and then on a regional rather than provincial level—and also to expect a new government "basically the same," to quote one very senior minister, as the one that runs the region today.¹¹

Cooperation and rivalry. In the KRG as currently constituted, this equilibrium has a crucial and well-known geographical component. The KDP predominates in Irbil and Dahuk provinces, while the PUK

10. Adnan Mufti, "The Kurdistan Region's Consensual Government," in *The Kurdistan Region: Invest in the Future*, pp. 50–51.

11. Author's interviews with senior KRG officials, Irbil and Sulaymaniya, February 2008, and Washington, D.C., May 2008.

predominates in Sulaymaniya (and also reportedly in Kirkuk). The KRG government as a whole was unified in 2006, with a cumbersome cabinet of more than forty ministers from the two major and several minor parties. Three key ministries, however, still have distinct KDP and PUK organizations, identities, and chains of command: finance, *peshmerga* (the armed forces and militia), and interior (including the omnipotent internal security and intelligence services).

Nevertheless, each party operates openly (and presumably under security surveillance) in the other's territory as well. Moreover, on a national level, an informal but workable understanding appears to exist that the PUK will have greater representation at senior levels in Baghdad, while the KDP will occupy the most senior positions, including both president and prime minister, inside the KRG. At the regional level, flexible adjustments are made to skirt factional tensions. For example, the scheduled rotation of the prime ministry from KDP to PUK leadership has been postponed indefinitely—but not, by most accounts, because of rivalry between those two parties. Rather, it was because the PUK, with a more inclusive and therefore more factionalized internal political culture, could not agree on its own preferred candidate for the position.

Some observers once worried that the two major Iraqi Kurdish parties, with a long history of bitter rivalry that included a mini-civil war as recently as 1996, would never manage to put that rivalry aside, let alone govern effectively together. In fact, however, the KDP and the PUK have done exactly that. Virtually no prospect exists of a reprise of such internecine conflict. The rising generation of ambitious Kurdish politicians in their thirties and forties tends to blur the old party identifications or to avoid politics altogether. Now some of the same observers, ironically, worry that the two parties are perhaps too tightly bound together, leaving too little breathing space for a real democracy.

Corruption and Good Governance Issues

Long before most outside writers took up the issue, charges of corruption had been a staple of the Kurdish online media and even of the press in the KRG itself. A chunk of the fortunes supposedly amassed by the two major parties is commonly rumored to be ill-gotten. Speculation about the origin of this money, and about continuing high-level financial shenanigans, is probably the leading cause of internal criticism of the KRG. Articles about official corruption often appear, as previously noted, in the independent Kurdish papers of Sulaymaniya and Irbil. On just one day, for example, *Rozhnama* published a lengthy interview with a member of Kirkuk's provincial council on the topic, complete with renewed references to Michael Rubin's already well-known article, and *Jamawar* published another exposé on the subject.¹²

During a research trip to the KRG in February 2008, some outspoken local activists produced detailed allegations of corruption, including a supposed schedule of kickbacks for different kinds of enterprises (ranging from 5 percent for foreign businesses to 15 percent for local ones) along with names of alleged shell companies or money-laundering facilities (e.g., Nokan for the PUK) they claimed were run by government officials.¹³ Other local NGO and media workers, however, expressed considerable skepticism about the most lurid of such stories.

Business leaders, in contrast, were noticeably reluctant to discuss the matter at all, lending some credence to the charges of a significant problem. At the government level, some senior officials acknowledged its existence, and a few also promised to bring it more out into the open and thereby encourage stronger action against it. Others blamed the corruption problem on lack of capacity, arguing that better training and tighter procedures were all that would be needed to solve it. Among senior financial and some other officials, however, the author's meetings in Irbil in February 2008 revealed a tendency to blame the messenger: the corruption issue,

12. BBC Monitoring Middle East, "Iraqi Kurdish Press Highlights," March 10, 2008.

13. Author's interviews with Kurdish journalists, Sulaymaniya, February 2008.

said one, was just “lots of propaganda” created by “too much freedom of the press.” This entrenched attitude at certain high levels suggests that combating corruption will not be an easy task.

Extensive discussions with a diverse group of local NGO staffers and other independent observers, both in December 2006 and again in February 2008, however, suggested that overall the KRG is making a good-faith effort to develop its region and promote the welfare of its residents. Many of its economic policies may be misguided, as described later, but they are generally neither predatory nor impervious to incremental attempts at reform. Specific criticisms focused much more on issues of political, tribal, or ethnic favoritism; nepotism; or bureaucratic bungling and backstabbing.

Civil Society: A Middle Ground

In the absence of either vigorous political opposition or strong parliamentary oversight, civil society organizations might be expected to fill some of the need to ensure both government accountability and citizens’ rights. In the KRG, such organizations are often hampered by onerous and intrusive security or political oversight and restrictions, as analyzed in more detail in chapter 3. Most NGOs in the KRG are funded by the KDP or the PUK. In this context, the State Department’s latest Human Rights Report for Iraq notes that “[t]he Kurdish areas, which have largely been autonomous since 1991, were able to develop a stronger NGO community, although many Kurdish NGOs were closely linked to the PUK and KDP political parties.”¹⁴

Even so, the author’s direct personal experience and observation indicate that some NGOs manage to maintain a significant level of activity and some influence, particularly in the broad sphere of social services but also in certain areas of human rights, women’s rights, and freedom of expression. In fact, the KRG does host a number of independent NGOs, many of

which are also willing and able to accept some Western funding as a buttress against total dependence on official largesse. Women’s rights projects are especially noteworthy in this regard, sponsored by a whole panoply of local and international organizations: Kurdish Human Rights Watch, Concordia, Heartland Alliance, Azadi and Azem Women’s Centers, and so on.

In private discussions with a wide range of local NGOs in Sulaymaniya and Irbil, many of their staff members, professionals and volunteers alike, were quite vocal in portraying the numerous challenges they face, whether from government or social pressures. The obstacles, many of these activists asserted, were as much internal as external: too few resources; too much duplication or lack of coordination; too little professionalism or technical capabilities in relevant areas, particularly in developing a sound economic footing for their programs and for Kurdish society as a whole; or just too much talk and too little action. As one NGO leader memorably put it, “I’ve been to about a thousand seminars over the past five years, and not a single one has really made our people more self-sufficient or productive.”

Public Opinion: Feisty toward Others, Friendly to the United States

Although most Kurds feel free to criticize almost anything, Iraqi Kurdish public opinion, according to the best available polling data, is generally favorably disposed toward living conditions. As summarized by one independent pollster from an extensive survey conducted in late February 2008, by comparison with other Iraqis: “Kurds are vastly more apt to say they have clean water, adequate medical care, and sufficient jobs, and rate local government positively. Nine in ten Kurds say their local security and crime protection are good, compared with, respectively, just 35 percent and 23 percent of Sunni Arabs.”¹⁵ Electricity and fuel, however, are as big a perceived problem in the Kurdish provinces as elsewhere, with about 80 percent describ-

14. “Country Reports on Human Rights Practices, 2007: Iraq,” p. 20. Available online (www.state.gov/g/drl/rls/hrrpt/2007/100596.htm).

15. ABC/BBC/ARD/NHK Poll—Iraq Five Years Later: Where Things Stand, released March 17, 2008, “Security Gains Reverse Iraq’s Spiral Though Serious Problems Remain,” p. 11.

ing the situation regarding those necessities as “quite bad” or “very bad.”¹⁶

On relations with Baghdad and with neighboring Turkey, Kurdish leaders often describe the public, with some reason, as more “hawkish” than the regional government. Nearly half (46 percent) of Iraqi Kurds say their government should not even attempt to control the anti-Turkish Kurdistan Workers Party (PKK), which runs camps just inside the border of the KRG, and which the U.S. officially considers a terrorist group. And every single one of the more than 300 Kurds sampled in the most recent, relatively reliable poll said that the disputed, ethnically mixed city of Kirkuk should be annexed to the KRG.

Yet on the iconic issue of independence, the Kurdish public appears more pragmatic than is often supposed. Just half (52 percent) say they prefer independence over two other options offered: a federation of regions (35 percent) or a unified state controlled by Baghdad (10 percent). And slightly more than half (55 percent) of Kurds say relations with Iraq’s Arabs are good.¹⁷ The author’s detailed group discussions with a wide spectrum of Iraqi Kurdish journalists, NGOs, and others in all three major cities of the region in February 2008 generally confirmed this picture of public opinion, particularly on the questions of Kirkuk and the PKK.

Beyond internal issues or immediate neighbors, Iraqi Kurdish public opinion presents one highly unusual aspect: very favorable views of the United States and of the U.S. role in Iraq. The same poll cited previously provides new supporting data for the figures consistently registered by others since 2003: five years after the U.S. military intervention, 87 percent of Kurds (compared with a mere 7 percent of Sunni Arabs and 65 percent of Shiite Arabs) approve of it. Regarding the current performance of U.S. troops in Iraq, the figures are almost as stark: 63 percent of Kurds say they hold positive views, compared once more with just 7 percent of Sunni Arabs and 28 percent of Shiite Arabs. One of the key challenges for both U.S. policymakers and personnel on the ground in Iraq will be how to

improve their image among the country’s Arab majority of 20 million to 22 million, whether Sunni or Shiite, while preserving the deep reservoir of goodwill that the U.S. continues to enjoy among Iraq’s 4 million to 5 million Kurds.

Economic Policy and Conditions: Big Potential, Big Problems

The KRG, while currently more secure economically than other parts of the country, is still quite undeveloped. Although the KRG has been autonomous since 1991, corruption and lack of a legal framework to protect investment seem to have hindered the arrival of significant foreign direct investment in the region. The KRG indeed has a very long way to go toward the income levels, infrastructure, or other economic characteristics of, say, the oil-rich Gulf sheikhdoms, or even of the industrial Western world.

No detailed or reliable economic statistics are available for the region specifically, but the overall picture appears as follows. The per capita income in the KRG is estimated at the equivalent of \$3,500 per year, still barely middling by regional standards but modestly higher than in the rest of Iraq—and growing lately at a healthy 7 percent annual rate, thanks partly to rising oil revenues received from Baghdad. Beyond any of these figures is the simple reality that everyday economic life for the people of the KRG is not hostage to constant severe security disruptions, as has been the case everywhere else in Iraq for the past five years. As a result, the prospects for economic development in the region are reasonably good, though complicated by legal differences, lack of transparency, and logistical bottlenecks with other parts of Iraq. In addition, if the KRG can find the right political paths to open up its very substantial oil and gas reserves, ideally in cooperation with Baghdad, Ankara, and international energy firms, then its overall economic prospects could fairly rapidly become highly attractive, although still that of a developing economy.

Nevertheless, several significant economic hurdles continue to cloud this horizon. One is that at pres-

16. *Ibid.*, pp. 18–23.

17. *Ibid.*, pp. 11–12.

ent the KRG relies almost entirely on oil revenues distributed by Baghdad to cover its expenses. The KRG depends on a month-to-month cash flow, without any margin. Until the cash arrives literally in hand, people do not get paid. Furthermore, the KRG is aware that it still depends on Baghdad and that it cannot get by without Baghdad's support. Hence, the KRG has few illusions of independence. If the revenue stream from Baghdad is delayed for any reason, then the KRG quickly becomes so strapped for cash that government salaries, even for the *peshmerga* military forces, cannot be paid on time. This situation actually occurred several times over the past two years, notably during the last-minute bargaining over the "package" of federal budget and other legislation in late 2007 and early 2008. Although often not appreciated by outsiders, this economic factor alone would preclude any KRG move toward independence from Iraq, at least for the foreseeable future. Even if the region's indigenous oil and gas reserves were to be fully developed, it has committed to share those revenues with Baghdad under the existing 83 percent–17 percent distribution formula—and it would remain dependent on Baghdad and even on Ankara for the pipeline connections required to export any of those potentially substantial energy resources.

Income from abroad remains quite limited so far. Despite much trading activity and a fair number of residential and commercial construction projects, surprisingly little investment has yet taken place, especially in other productive and employment-generating facilities. The KRG is trying hard to attract additional investments by passing a favorable investment law in 2006, aggressively courting foreign energy companies (discussed in chapter 4), and mounting an active outreach campaign to the international business community as a whole. The opportunities are real enough, but the obstacles to realizing them, in the words of one knowledgeable local analyst, include both technical and sociopolitical factors:

The infrastructure is still underdeveloped and the KRG has invested little in it. The result is few new roads, little electricity generation, persistent and day-long power outages, few new waterworks and schools. What is more, institutions are weak and political conditions delay procurement and delivery of goods and payments. Although there are some ambitious projects on the drawing boards, the KRG's economic policies to date have largely been to propitiate, not to develop. The KRG has huge numbers of poorly paid people on the payroll, while public services are inefficient. These policies are endemic in developing areas—the KRG is a typical developing region, by no means a star a la East Asia or for that matter Dubai. The region also lacks a functioning banking system that can provide loans and insurance policies for investors. Still, the real impediment to entrepreneurship is the controlled free market: the monopolization of contracts by the political parties and their adjunct business associates.¹⁸

One of the most important economic problems is bloated public employment. Once again, reliable statistics are hard to come by, but informed estimates are that at least half the labor force works in the public sector, with an indeterminate but almost certainly significant proportion in unproductive jobs. What is known is that 70 percent of the KRG budget, which in turn accounts for about 70 percent of total economic activity in the region, goes to pay government salaries—inordinately high figures by almost any standard.¹⁹

These salary payments include the bulk of the *peshmerga*, police, and other KRG security forces, who are paid from the KRG's own budget rather than from the appropriate federal ministries. As of this writing, however, some relief may be in sight on this major budget item. Baghdad may offer to help pay these salaries following a new round of apparently more amicable discussions between senior KRG officials and the Nouri al-Maliki government, held in the improved atmosphere of Kurdish political support for al-Maliki's moves against Sadrist extremists from his own Shiite sect in Basra and elsewhere in March and April 2008.²⁰

18. Denise Natali, "A Controlled Free Market," *Soma Digest* (Irbil), no. 36, February 29–March 13, 2008, p. 2. Available online (<http://soma-digest.com/Details.asp?sid=396&stp=0>).

19. For a recent general discussion of this issue, see, for example, Shwan Zulal, "Economic Successes or Incompetence in Kurdistan Regional Government," *KurdishMedia*, April 11, 2008. Available online (www.iraqupdates.com/p_articles.php/article/29729).

20. Author's interviews with senior KRG officials, Washington, D.C., May 2008.

A few KRG officials voice a strong desire to streamline public employment somehow and find workers more-productive jobs in the private sector. But many senior policymakers say that their government has a responsibility to keep people on the payroll, at least as the short-term employer of last resort. In the words of the governor of Sulaymaniya: “Many of these people have nothing else they can do.” As a consequence, this long-term drain on KRG economic development is likely to remain a serious constraint for the foreseeable future, with informal estimates indicating that the government employs over half of the local labor force while tens of thousands of guest workers from other parts of Iraq and elsewhere fill construction and other semi-skilled jobs. In fact, as the minister of finance asserted in a recent meeting, the 2008 budget he had just submitted proposed hiring tens of thousands of new public sector workers, mostly in the education and health-care fields.²¹

Islamist Currents: Go with the Flow, Just Not Too Far

Contrary to the conventional wisdom, when Iraqis are asked by pollsters how often they attend a mosque, the responses by Kurds are about the same as by their Arab compatriots, whether Sunni or Shiites: about a quarter in each group say they generally do so at least once a week. Yet as anyone who spends some time in different parts of Iraq these days can attest, the public practice of Islam appears much less puritanical in the KRG. Although precise statistics are not available, in all three major cities, where nearly three-quarters of the KRG’s population resides, some girls and women go about the downtown neighborhoods, especially in Sulaymaniya, with their hair uncovered, and alcoholic drinks are fairly easily available in some restaurants. Religious discrimination exists, but religious violence of any kind is rare.

Nevertheless, a number of Islamist political parties and related associations, media outlets, and other institutions are active in the region. Two of them, the Kurdistan Islamic Union and the smaller Islamic Soci-

ety Group, garnered 15 seats (of 105) in the regional parliament by running together in the 2005 provincial elections. The two parties’ leaders estimate their potential strength today as somewhat higher, but at most about a third of the vote in a truly free election; they note among other points that only in the past year have they been permitted to operate fully in the more conservative Dahuk province.

With somewhat different degrees of intensity, the platforms of these parties emphasize cultural and social issues and “clean” government. At a joint meeting in Irbil in February 2008, questioned about the existence of Islamic extremists in the region, the Kurdistan Islamic Union leader only half-jokingly pointed to his colleague from the other Islamic party. In reality, both parties offer mainly token opposition and cooperate with the KRG establishment (and with each other) on most matters most of the time. As an added precaution, U.S. and KRG officials point out, the KDP or PUK security services closely monitor Kurdish Islamist politicians, whether inside the KRG or in Baghdad.

Partly as a result of such surveillance, real Islamic extremists are few and far between in the KRG today. A senior security official estimated that a mere 300 or so Ansar al-Islam or Ansar al-Sunnah militants, supported by Iran, remained at large, with almost all of them now in the Mosul or Kirkuk zones rather than inside the KRG. Even so, according to this source, if Iran really wanted to it could activate “ten Ansar al-Islams here” on short notice. That assessment is probably exaggerated for rhetorical effect, but the threat of Iranian subversion is quite real. To preempt that possibility, KRG officials practice a mix of vigilance and acceptance of some Iranian influence in their communities.

Similarly, whereas at least one Saudi-supported student program was shut down in the past five years, the author spotted a large building sporting a billboard for the World Association of Muslim Youth, another Saudi-financed program, on a visit to Dahuk and Sulaymaniya in February 2008. Privately, a senior official in

21. Author’s meetings with senior KRG officials in Sulaymaniya and Irbil, February 2008.

one KRG governor's office asserted that his jurisdiction was already quite Islamic enough: "Between the mosque and the mosque, there is a mosque!" When some group approaches him for a permit to build another mosque, he tells them to build a school or a clinic instead—and so far, he said happily, that usually ends the matter.

Nevertheless, Islamists are the most visible, if not viable, alternative to the political status quo even in the KRG. In the short term, given the effective KDP and PUK control over the society, their visibility is not a problem. For the longer term, tight KDP and PUK control over the political realm, allowing political activity for Islamists but not for non-KDP and non-PUK secular political groups, can be seen as conducive to the rise of Islamist groups and parties in the KRG. Hence, the development of other, more secular, currents independent of the government might provide another valuable balancing mechanism to support a future course combining the best of both worlds: stability and reform.

Policy Implications

The KRG is admittedly far from perfect. Compared to at least some other governments in the region, however, including some of America's closest allies, it is at least as law abiding, stable, and economically growing. Therefore, especially when it comes to domestic KRG

issues, the operative principle for U.S. policy should be the Hippocratic one: first, do no harm.

The KRG, for all its imperfections, is already something of a success. For the United States to get more deeply involved in its delicately balanced internal affairs would be a costly and entirely avoidable mistake. Washington may well want to offer gentle encouragement for KRG steps toward greater respect for human rights; the right to association, especially to secular groups and parties; and more economic openness. The higher priority, however, should be to help preserve this most successful region of Iraq by helping it sort out its differences with its neighbors—not by intruding any more heavily into the arrangements for managing its own internal differences, which Iraq's Kurds have finally managed to establish on such a firm foundation.

Probably the most promising area for American advice to the KRG lies in the economic realm. The emphasis going forward should be not so much on relations with Baghdad, which are showing real signs of progress lately, but on internal KRG economic development strategy: more support for essential infrastructure and productive enterprises and employment; more checks on corruption and cronyism; fewer dead-end or deadwood public sector sinecures; and more attractive, transparent, and definite terms and conditions for U.S. and other investors.

360 Degrees from Irbil: The KRG's Views of Its Neighborhood

Soner Cagaptay¹

THE IRAQI KURDS view their region with great anxiety. Although the KRG demonstrates much internal stability, the Kurds seem worried about their neighbors—and the Iraqi Arabs. Such worries are rooted in the fact that many Iraqi Kurds feel abandoned by the United States and therefore exposed to regional risks. Among the Iraqi Kurdish elites, the perception of U.S. ties is more nuanced. KRG policymakers are anxious that the honeymoon they enjoyed with the United States between 2002 and 2006 may be ending. This fear is the driving force behind the KRG's evolving views of its neighborhood. The Iraqi Kurdish leadership believes that the United States may not support them against Iraqi Arabs, who are now forming ad hoc parliamentary coalitions to block the Kurds on issues such as the future of Kirkuk and the hydrocarbons law. Meanwhile, the Kurds fear Iran's influence.

This calculus of anxiety over relations with the United States, opposition by Iraqi Arabs, and fear of Iran is pushing the Iraqi Kurds to adopt a friendly attitude toward a long-term alliance with Turkey. Will a rapprochement between the KRG and Turkey work? What will the relationship between the United States, the KRG, Iran, and the rest of Iraq look like in the near future?

Fluctuating Relationship with the United States

Between 2003 and 2006, when many Sunni Arabs supported al-Qaeda in Iraq (AQI) and some Shi-

ite Arabs joined militias such as the Mahdi Army to attack the U.S. military, the Kurds emerged as a rare ally for the United States in Iraq, and one that Washington valued highly. At that time, the Kurds provided valuable *peshmerga* to fight alongside American forces. This relationship earned the Kurds American backing in Baghdad and throughout the legal processes involved in forming a new Iraq. In due course, the Kurds achieved many gains, such as recognition of the KRG as a federal entity in the Iraqi parliament. The Kurds also helped reverse the ills of the Saddam era in places such as Kirkuk, while establishing de facto control of the city.² Meanwhile, article 140 of the new Iraqi constitution called for a census and a referendum to be carried out in Kirkuk before December 31, 2007, to decide the city's political future,³ opening the way for the KRG to annex Kirkuk and its oil wealth.

That situation changed after 2006, however. First, the United States co-opted the Sunni Arabs through the Awakening councils and other initiatives such as the Concerned Local Citizens and Sons of Iraq. Then, Washington made peace with the Shiite Arabs. The Mahdi Army declared a ceasefire on August 29, 2007, and extended it for six months on February 22, 2008.⁴ This new working relationship with Sunni and Shiite Arabs has allowed the United States to see the big picture in Iraq beyond Baghdad. Washington realized that if Iraq is to function, the modus operandi must continue to satisfy the Arabs, who constitute

1. The author would like to thank H. Akin Unver for his assistance with this chapter.

2. David Wright, "Kurds Reclaim Kirkuk and Dreams after Saddam: Kurds Take Back Their City, Culture, and Stake in the Iraqi Oil Industry," ABC News, *Nightline*, May 7, 2003. Available online (<http://abcnews.go.com/Nightline/story?id=128465&page=1>).

3. Article 140 of the Iraqi constitution stipulates: "First: The executive authority shall undertake the necessary steps to complete the implementation of the requirements of all subparagraphs of Article 58 of the Transitional Administrative Law. Second: The responsibility placed upon the executive branch of the Iraqi Transitional Government stipulated in Article 58 of the Transitional Administrative Law shall extend and continue to the executive authority elected in accordance with this Constitution, provided that it accomplishes completely (normalization and census and concludes with a referendum in Kirkuk and other disputed territories to determine the will of their citizens), by a date not to exceed the 31st of December 2007."

4. "Iraqi Cleric Muqtada al-Sadr Suspends Mahdi Army Activities," Associated Press, August 29, 2007 (available online at www.foxnews.com/story/0,2933,294990,00.html); "Mahdi Army Ceasefire Extended," al-Jazeera English, February 28, 2007 (available online at <http://english.aljazeera.net/NR/exeres/07299B44-7284-488D-84FA-4A4B71566E34.htm>).

the vast majority of Iraq's population. Judith Yaphe of the National Defense University suggested that U.S. policy toward the Kurds has changed because of the Kurds' maximalist position on issues such as Kirkuk, which angered the rest of Iraq's population, creating domestic instability.⁵ At the same time, the U.S. government began to take issue with the KRG's strident position in the Iraqi oil debate—that is, the KRG's refusal to settle with Baghdad on new oil contracts and an oil revenue-sharing agreement. The United States made this point strongly during KRG natural resources minister Ashti Hawrami's November 2007 visit to Washington.

Meanwhile, throughout 2007, the United States backed the Arabs on crucial issues against the Kurds. First, in February, Washington pressured the Kurds until they agreed to a draft of the hydrocarbons law,⁶ which was favorable to the Arabs and the central government. The draft law, contested by the Kurds, gives the central government some powers to oversee contracts in new fields to be developed in Iraq.

The United States dealt a second blow to the Kurds on the issue of Kirkuk. Pressure from Washington and the U.S. embassy in Baghdad convinced the Kurds to drop their insistence on carrying out a referendum in Kirkuk by the constitutionally mandated deadline of December 31, 2007.⁷ In the end, the KRG agreed to a compromise, postponing the referendum on the city's future.

These U.S. steps toward winning over Iraqi Arabs have convinced the Kurds that America is abandoning them in favor of the Arabs.

Uphill Relations with the Rest of Iraq

As part of these new political dynamics, the Iraqi Arabs are forming ad hoc majority blocs in the Iraqi parliament to reverse some of the past Kurdish gains and prevent new ones.

In negotiations over the Iraqi budget in early 2008, for example, the Kurds had a difficult time. Initially, the Arab majority in the government and parliament offered the Kurds a 13 percent share of the national budget. After long and painful negotiations, the Kurds were able to secure a 17 percent share for this year.⁸ Although this figure is commensurate with their proportion of the Iraqi population, the Kurds argue that the actual amount disbursed to them will be smaller because the central government will first deduct funds to cover expenditures. The KRG is also concerned that the amount given to them will be revised in a new round of negotiations next year, in accordance with the new Iraqi census.⁹

The Kurds also feel that they face an uphill battle with the Arabs on the oil issue, which is one battle they do not want to lose. Despite the stalemate on the oil law, the Iraqi Kurds have handed out contracts on most of the likely oil-producing areas in the KRG to international companies. In the Taq Taq¹⁰ and Tawqe¹¹ fields, currently in test production phase, companies expect commercial production to begin in 2010. One problem remains, however: how to transport the large-scale oil production that will soon come online. To that end, the KRG will need pipelines. There are no pipelines running directly from the KRG to the sea—the closest available one is the Kirkuk-Ceyhan line, which runs

5. For more on this issue, see Judith Yaphe, "After the Surge: Next Steps in Iraq," *Strategic Forum*, no. 230 (February 2008). Available online (www.ndu.edu/inss/Strforum/SF230/SF230.pdf).

6. Tina Susman, "Iraqis Resist U.S. Pressure to Enact Oil Law," *Los Angeles Times*, May 13, 2007. Available online (www.globalpolicy.org/security/oil/2007/0513iraqisresist.htm).

7. Kathleen Ridolfo, "Iraq: Kirkuk Referendum Delayed by Six Months," Radio Free Europe/Radio Liberty, December 21, 2007. Available online (www.rferl.org/featuresarticle/2007/12/43a4f894-4431-47cf-a120-0573f7412542.html).

8. Wisam Mohammed and Ahmed Rasheed, "Problems Seen for Iraq Budget Despite Compromise," Reuters, February 6, 2008. Available online (www.reuters.com/article/featuredCrisis/idUSL06867089).

9. Hawar Kirkuki, "Kurds Make Breakthrough on Talks with Iraq," *Kurdish Globe* (Irbil), December 28, 2006. Available online (www.kurdishglobe.net/displayArticle.jsp?id=1C9F300282D0113D9656B27BCA5A1BAC).

10. For more information on Turkish Cukurova involvement in the Taq Taq oil field, see "Genel Enerji and Addax Petroleum Announce the Execution of a Revised Production Sharing Agreement in Respect of the Taq Taq Field," Iraq Updates, November 23, 2006. Available online (www.iraqupdates.com/p_articles.php/article/12038).

11. For more information on Norwegian DNO's involvement in the Tawke oil field, see "Tiny Norwegian Oil Company DNO Plans First Oil Production in Iraq," *International Herald Tribune*, May 16, 2007. Available online (www.iht.com/articles/ap/2007/05/16/business/EU-FIN-Norway-Iraq-Oil.php).

through Turkey. Therefore, any arrangement to transport oil by that route would require good ties between Turkey and the KRG.

Kurdish independence? With no independent source of oil revenue in sight, the KRG is in a financial crunch. With the exception of duties collected at the Habur crossing with Turkey, which seem to constitute a small amount—KRG officials suggest that they collect “\$10 million from the \$1.2 billion worth of merchandise that crosses the Habur gate every year”—the Iraqi Kurds seem to have almost no significant sources of revenue. Moreover, they have a vastly overstuffed government and a large *peshmerga* contingent to run.¹² KRG officials estimate that as much as half of the region’s workforce might be on the government payroll. Hence, given the Kurds’ financial dependence on Baghdad, talk of Kurdish independence seems unrealistic for the moment. In fact, whenever the Washington Institute delegation inquired about likely Kurdish independence during its trip to the KRG, the suggestion was swiftly dismissed by Kurdish officials.

Contested areas, including Kirkuk. Iraqi Kurds claim a number of areas currently not within the KRG. These range from Sinjar and Tal Afar in the west, near Iraq’s border with Syria, to Khanaqin and Mendeli in the east, along the Iranian border (see figure 1). These contested areas lie in the Mosul, Kirkuk, and Diyala provinces. After Saddam was deposed in 2003, some Kurdish Democratic Party (KDP) and Patriotic Union of Kurdistan (PUK) *peshmerga* were incorporated into the Iraqi army¹³ and sent to these provinces. Former *peshmerga* and local Kurds then established control in

Kurdish areas of these provinces, and even in certain multiethnic areas. Subsequently, despite allegations of irregularities,¹⁴ the two Kurdish parties handily won the June 2005 provincial elections in the Mosul and Kirkuk provinces, solidifying political control.

Since then, however, the security situation in predominantly Arab Mosul has deteriorated significantly. AQI seems to have made inroads among the Arab population there, at least in part caused by a backlash against Kurdish domination in the security forces.¹⁵ For its part, the KRG leadership is not interested in holding onto Mosul, although it is still keen on controlling the rural Sinjar and Tal Afar districts. (See the next section for more on the latter areas.)

Thus, Kirkuk is the only large city contested by the KRG and the rest of Iraq. As in Mosul, the Kurds established control over Kirkuk in 2003. Arabs and Turkmens resisted these efforts, however, and the Kurds’ heavy hand has fueled the growing influence of AQI and the Mahdi Army among the city’s Sunnis and Shiites, respectively, creating a destructively self-reinforcing cycle.¹⁶

Nevertheless, Kurds, Turkmens, and Arabs from Kirkuk agree that since the fall of Saddam, most Kurds deported by the former regime have come back to the city, whereas very few Turkmens have done so. Meanwhile, some Arabs resettled in Kirkuk by Saddam have left the city in return for financial remuneration by the central government, while some others are waiting to do so. This picture points at a likely de facto Kurdish plurality in Kirkuk. Hence, although the December 31, 2007, deadline for a referendum to determine whether Kirkuk will join the KRG has passed, the KRG’s position is that it will absorb the city with or without a

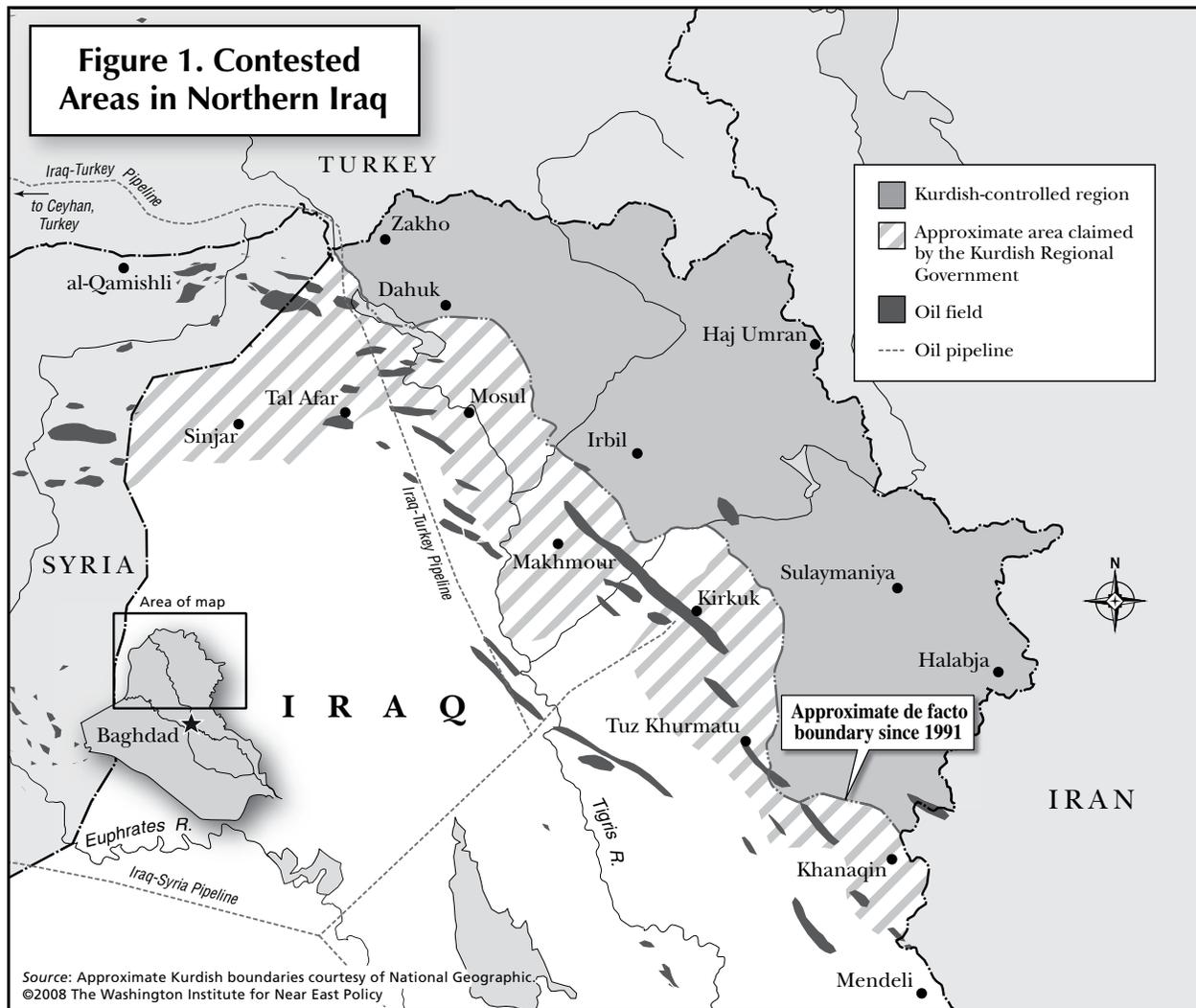
12. Bilal Wahab “Iraqi Kurdistan: Time to Get Serious about Governance,” *Arab Reform Bulletin* 4, no 8 (October 2006), Carnegie Endowment for International Peace. Available online (www.carnegieendowment.org/files/wahab_article1.pdf).

13. “3 Kurdish Brigades Join Surge, Counter Shi’ite Dominance,” *WorldTribune.com*, February 20, 2007. Available online (www.worldtribune.com/worldtribune/07/front2454151.221527776.html).

14. “Shiite Alliance Wins Plurality in Iraq,” CNN.com, February 14, 2005. Available online (www.cnn.com/2005/WORLD/meast/02/13/iraq.main/index.html).

15. Steve Inkseep “Al-Qaida Insurgents Retain Grip on Mosul,” NPR *Morning Edition*, March 3, 2008. Available online (www.npr.org/templates/story/story.php?storyId=87851323).

16. For Mahdi Army involvement with the Shiites, see Jonathan Finer, “Shiite Militias Move into Oil-Rich Kirkuk, Even as Kurds Dig In,” *Washington Post*, April 25, 2006. Available online (www.washingtonpost.com/wp-dyn/content/article/2006/04/24/AR2006042401560.html). For al-Qaeda involvement with the Sunnis, see “Kerkük’te El Kaide Operasyonu” (Al-Qaeda operation in Kirkuk), BBC Turkish.com, November 24, 2007. Available online (www.bbc.co.uk/turkish/news/story/2007/11/071124_iraq_kirkuk.shtml).



referendum. In the absence of a referendum, the KRG seems intent on using the results of the 2005 provincial elections in Kirkuk as the basis for decision. The Kurdish bloc—which includes the KDP and PUK—won a majority in those elections, and the KRG interprets that victory as an endorsement for including Kirkuk in the Kurdish region. The city’s Turkmens and Arabs vehemently object to this conclusion. Although their general positions on Kirkuk are quite far apart, both Kurds and non-Kurds alike envision a special status for the city, as well as a power-sharing agreement after its final status is settled.

Such positions notwithstanding, the KRG may follow a piecemeal approach to reach its goal in Kirkuk.

Because article 140 concerns all contested regions in Iraq, the Kurds might apply it to more solidly Kurdish areas first, such as Makhmour, joining them to the KRG. Then, they could use such cases as precedent for annexing Kirkuk. Iraqi Kurds tend to take a hardline position on the city; in fact, many community political and business leaders describe the KRG as “composed of four provinces,” meaning the three recognized provinces of Dahuk, Irbil, and Sulaymaniya plus Kirkuk. The Arabs and Turkmens claim that KRG annexation of the city would spark a violent reaction. Although the non-Kurdish population differentiates between the PUK’s “soft” handling of Kirkuk and the KDP’s “hard” approach—the PUK has a larger share in the city’s

security apparatus than the KDP—Kirkuk remains a potentially combustible issue.

Balanced Insecurity with Syria

The greatest KRG concern regarding Syria is that insurgent elements are reportedly still crossing the border into the Sinjar and Tal Afar¹⁷ districts in Mosul province. The KDP claims both regions for the KRG and maintains control over them in anticipation of article 140's implementation. The dynamic between Kurds and others in Tal Afar is similar to that in Kirkuk and Mosul. The KDP's political and military domination has created resentment among both the majority Turkmens and the small Arab minority. AQI has established itself among some Arabs in Tal Afar, attacking the area's KRG-dominated Iraqi security forces.¹⁸ AQI also seems to be crossing from Syria into Sinjar, attacking the local Yezidis as well as the Iraqi army, which includes former *peshmerga*. Although the Kurds seem willing to forgo the city of Mosul—another AQI stronghold with a large Kurdish and former *peshmerga* share in the Iraqi armed forces—Sinjar and Tal Afar will likely remain their key battlefields outside the KRG.

Despite the Syria-related problems in Mosul province, Iraqi Kurds do not seem to fear Damascus. Anecdotal reports indicate that the KDP and PUK maintain a presence in the Kurdish areas in northeastern Syria. The KDP takes an especially strong interest in this region, which lies right across from its own Iraqi territory. Moreover, the Iraqi Kurdish parties support their Kurdish counterparts inside Syria, including the Azadi Party¹⁹ and the Yekiti Party.²⁰ In March 2004, Syrian Kurds in the northeastern Syrian community of al-Qamishli staged nationalist riots; increased Kurdish political activism in the region since then has served as a stark sign of bold KDP and PUK involvement among

the Syrian Kurds. Such developments indicate that the Iraqi Kurds do not necessarily feel threatened by Syria and are willing to challenge its authority.

Fear of Iran

The Iraqi Kurds' relationship with Iran is fundamentally different from that with Syria. Iran tops the list of neighbors the Kurds fear, much more so than even Turkey, which carried out a crossborder operation into northeastern Iraq to clean out the PKK camps there. Despite such a negative perception, however, the PUK maintains a strong economic relationship with Iran. The Haj Umran border crossing serves as the PUK's lifeline to the outside world, for example, and much of the electricity needed to power the PUK capital, Sulaymaniya, comes from Iran.²¹

Nevertheless, according to KRG officials, Iran is their greatest perceived threat for two reasons. First, Tehran has intelligence assets within the KRG and the ability to deploy more. Second, it appears to be supporting Kurdish Islamist terrorist groups in the KRG. The general feeling in the KRG is that the Kurdish region does not face a major radical Islamist threat, but as in the rest of Iraq, concerns exist about the possibility of sleeper terrorist cells. Iraqi Kurds fear damaging reprisals if they cross Iran and are therefore mostly compliant with Tehran. This belief seems more common in the PUK area, given its previously mentioned economic dependence on Iran.

In light of these factors, the KRG, especially the PUK leadership, can be said to have a love-hate relationship with Iran. On the one hand, the PUK seems to dislike Iran strongly; on the other hand, it knows that it cannot do without Iran. Hence, a perception exists among the Iraqi Kurdish leadership that the KRG should not rock the boat with Tehran.

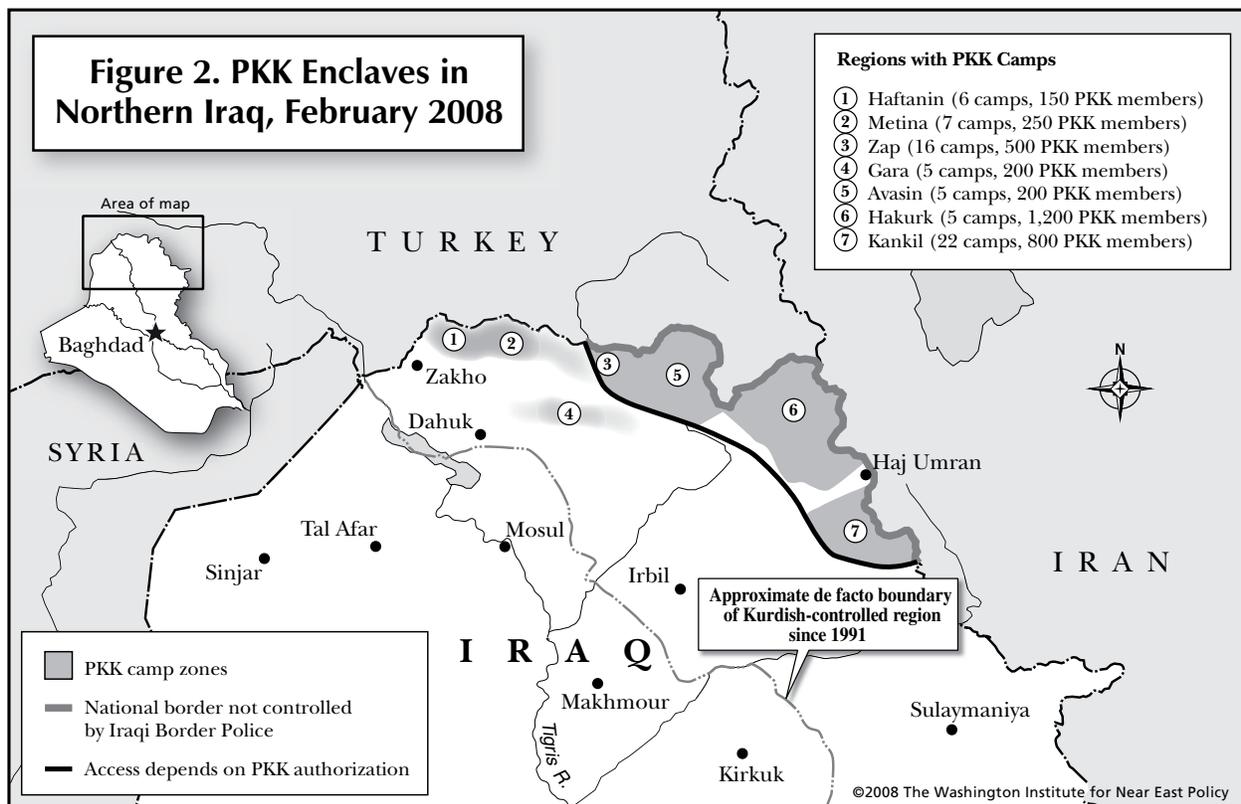
17. Herve Bar, "Sinjar List: A Glimpse into al-Qaeda in Iraq: Profiles of More than 600 al-Qaeda Operatives Entered Iraq through Syria between August 2006 and August 2007," Middle East Online, January 28, 2008 (available online at www.iraquupdates.com/p_articles.php/article/26674); "Iraq Closes Syrian Border Point," BBC News, September 11, 2005 (available online at http://news.bbc.co.uk/2/hi/middle_east/4234122.stm).

18. "Tal Afar: Al Qaeda's Town," CBS News, *60 Minutes*, March 12, 2006. Available online (www.cbsnews.com/stories/2006/03/10/60minutes/main1389390.shtml).

19. For more on this party, see (www.azadikurd.org).

20. For more on this party, see (www.yekiti-party.org/ENGLESCH.htm).

21. It should be mentioned that electricity is a rare commodity in the KRG, with most citizens getting at most an hour of power every twenty-four hours (author interview with business owners in Sulaymaniya, February 22, 2008).



Good Ties with Turkey?

Challenged by the Iraqi Arabs and threatened by Iran, the Iraqi Kurds are turning to the remaining regional power: Turkey. In this regard, the KRG has already made some overtures toward Turkey, and Ankara has responded in kind: following positive remarks by KRG prime minister Nechirvan Barzani on the PKK issue, a Turkish delegation visited Irbil in February 2008, the first official and public contact between Turkey and the KRG since 2003 (Turkish intelligence officials are known to have secretly visited Irbil in 2006 and 2007). Differences over the PKK issue remain, but at least Ankara and the KRG seem to be communicating.

One factor that seems to have moved the Iraqi Kurds toward opening channels of communication with Ankara is the “1975 syndrome,” the popular fear in the KRG of the “U.S. abandoning the Iraqi Kurds

after a self-serving alliance, as it did in 1975 after using the Kurds against Saddam.”²² In fact, much fertile ground for friendship exists between Turkey and the KRG, from pro-Western views to likely oil deals. Some KRG leaders suggest that Turkey should take a leading role in such oil deals, although this approach seems rooted as much in a desire to win Turkey as an ally against Baghdad on the issue of the hydrocarbons law as to win Turkey’s heart.

Despite these prospects for long-term friendship, however, the PKK remains a major stumbling block for the Turkish-KRG relationship. The PKK currently controls an enclave in northeastern Iraq, flanked by the KDP- and PUK-controlled areas of the KRG (see figure 2). The KDP and PUK helped Turkey tremendously against the PKK in the 1990s,²³ suffering many casualties in the process. Today, how-

22. Author interview with college professors in Irbil, February 21, 2008.

23. Stratfor Strategic Forecasting, Inc., “Iraq, Turkey: Igniting the Kurdish Rivalry,” October 22, 2007. Available online (www.stratfor.com/analysis/iraq_turkey_igniting_kurdish_rivalry).

ever, they are not willing to take action against the PKK enclave. Although neither party has much love for the PKK, they do not want to challenge it now for several reasons, including their concerns about the group's "ferocity" and their belief that "Turkey should take political steps on the PKK issue before the Iraqi Kurds take any steps."²⁴

Indeed, the KDP and the PUK are convinced that the best way to deal with the PKK is to find a political solution to the problem inside Turkey.²⁵ They want to see a broad amnesty offered to the group (to be followed by action against those members who do not turn themselves in). Then they want to see Turkey follow up with economic and social measures toward its Kurdish community and allow former PKK members to enter politics.

Turkey's Justice and Development Party (AKP) government and the KRG will have difficulty agreeing on what do about this issue. Given the magnitude of recent PKK-related violence in Turkey and the country's complex domestic political situation, the Iraqi Kurds' demand-cum-wish that Turkey declare an amnesty seems unlikely. From the KRG's perspective, Turkey's February 2008 incursion into northeastern Iraq against the PKK bases at Zap raised some eyebrows. KRG leaders have interpreted the incursion as evidence that Ankara and Washington are again working together against the PKK—the military action followed months of U.S.-Turkish intelligence sharing, and Washington acknowledged the operation itself.²⁶

At the same time, the continued PKK presence in the KRG poisons Turkish-KRG relations. Turkey

would like to see the KRG take some steps against the group, for instance by sealing off the enclave's border, which would curtail the PKK's ability to supply itself from within the KRG. Moreover, Turkey might carry out new incursions of its own against the enclave, despite KRG opposition to military action of any sort. Turkey has had a difficult time adjusting to the reality of de facto KRG autonomy, and this anxiety has turned into real fear as a result of the PKK presence inside the Kurdish region. A KRG that includes the PKK is unacceptable for Turkey, whereas Ankara could live with a PKK-free KRG, if uneasily at times.

Although the Turkish and KRG positions on the PKK remain far apart, they may not be unbridgeable. An emerging consensus in Turkey among the military and the AKP government holds that military action against the PKK should be followed by political, social, and economic measures.²⁷ There could be rapprochement between Ankara and the KRG if the latter were to drop its insistence on a PKK amnesty and designate the group as a terrorist entity, as the Washington, Ankara, and Baghdad have already done. In this regard, the Turkish National Security Council's April 24, 2008, decision to have high-level contacts with KRG president Massoud Barzani should be followed with interest, as should ongoing talks between him and Turkish intelligence officials.

Conclusion

In 2008, the KRG's relations with its internal and external neighbors will be a delicate balancing act with the Iraqi Arabs, the United States, Turkey, and Iran,

24. Author interviews with KRG officials, Irbil, February 21 and 26, 2008.

25. See, for example, Nechirvan Barzani as quoted in John C. K. Daly, "U.S.-Turkish Interests Collide in Iraq, but Mesh in Afghanistan and Kosovo," *Eurasia Daily Monitor* 4, no. 78, April 20, 2007 Available online (www.jamestown.org/edm/article.php?article_id=2372114).

26. "Turkey Launches Major Iraq Incursion," CNN.com, February 23, 2008. Available online (www.cnn.com/2008/WORLD/meast/02/22/turkey.iraq/index.html).

27. See, for example, some comments made by the AKP members in "AKP'liler: Kürt Sorununa Çözüm Eşitlikte ve Özgürlükte..." (AKP members: The solution to the Kurdish problem is in equality and freedom), *Radikal*, March 7, 2008. Available online (www.radikal.com.tr/haber.php?haberno=249447).

28. See, for example, Iraqi president and leader of the Patriotic Union of Kurdistan Jalal Talabani's comments on Turkey: "We love Turks," as quoted in Murat Yetkin, "Talabani in Ankara," *Turkish Daily News* (Istanbul), March 8, 2008 (available online at www.turkishdailynews.com.tr/article.php?newsid=98425); on the United States: Jalal Talabani, "We Need American Troops: Thank You for Liberating My Country. Please Don't Leave before the Job Is Done," *Wall Street Journal*, September 21, 2005 (available online at www.opinionjournal.com/editorial/feature.html?id=110007289); on Iran: "We are sure that we will enjoy the Iranian government's co-operation in our struggle against terrorism," as quoted in "Talabani 'Trusts in Iran Support,'" BBC World News, November 21, 2005 (available online at http://news.bbc.co.uk/2/hi/middle_east/4457568.stm); on Syria: "I frankly said on many occasions that we should be grateful to Syria," as quoted in "Talabani: 'Syria Has My Full Support,'" *thesyriannetwire*, October 3, 2005 (available online at <http://saroujah.blogspot.com/2005/10/talabani-syria-has-my-full-support.html>).

rather than an exclusive alliance with one partner. In other words, just as their leaders suggest,²⁸ the Iraqi Kurds will not put all their eggs into one basket. The following questions will help to define the KRG's path forward:

Issue 1: Can the KRG significantly improve its ties with Baghdad? The answer depends on developments regarding Kirkuk and the oil law. The Iraqi Kurds could improve their relationship with Iraqi Arabs by making tough compromises on such issues. Such an improvement would lessen the KRG's dependence on Turkey significantly and eliminate most of the existing tensions between the KRG and the United States. Yet, the Kurdish position on Kirkuk appears unyielding. Moreover, Kurdish confidence in Iraqi Arabs in general seems to be deteriorating. The memory of oppression during the Saddam years haunts many Iraqi Kurds, who remain wary of an emerging, powerful Baghdad. In contrast, the Kirkuk issue may perhaps unite non-Kurdish Iraq more than any other. Hence, in the near future, although KRG-Baghdad relations will likely remain tense over Kirkuk, the less-combustive oil law issue might present a better opportunity for an agreement between the two.

Issue 2: Can Turkey and the KRG develop closer ties? This answer depends on mutual perceptions of need, as well as the U.S. role in the process. Although Turkey needs the KRG's assistance on the PKK issue, the KRG needs Turkey as well, for several reasons:

- Even if the Iraqi Kurds were to control Kirkuk's oil reserves, they could not, in the short term, export this oil without the Kirkuk-Ceyhan pipeline.
- The Iraqi Kurds have much to hope for in terms of economic development, but this will prove difficult

without the cooperation of Turkey, the only developed, free-market economy bordering Iraq.

- In the long term, when the United States pulls out of Iraq or significantly decreases its troop presence, the Iraqi Kurds will depend on the Incirlik base in Turkey for American protection.

Given ongoing U.S.-Turkish cooperation against the PKK, any KRG efforts on that front would strengthen ties between the Iraqi Kurds, Washington, and Ankara on a major policy issue. Nevertheless, the KRG's current position on the PKK is unlikely to evolve unless the United States strongly prods the Iraqi Kurds to take action against the group. At this stage, however, Washington also wants to keep both Turkey and the KRG on its side, so it is likely to strike a balance on the PKK issue. Thus, although Turkish-KRG relations might improve, a full rapprochement does not seem imminent.

Moreover, despite suggestions to the contrary, Turkey's investments in the KRG are not significant enough to prod Ankara in the direction of a *laissez-faire* policy toward the region. The much-touted "billions of dollars worth of Turkish investment in KRG"²⁹ seems to be an urban myth. KRG Investment Board officials as well as businessmen in Irbil and Sulaymaniya estimate the total amount of foreign direct investment in the region since 2003 to be around \$1 billion, with Turkish investment said to be about 10 percent of that amount.³⁰ Additionally, ongoing Turkish construction projects inside the KRG seem to be in the range of only \$200–\$300 million, with much of the money already expended.³¹

Issue 3: Can the KRG overcome the political inertia in both Baghdad and Irbil? The Iraqi Kurds are likely to adopt a policy of "muddling along" in 2008 that will

29. See, for example, the comments by Ercüment Aksoy (president of the Turkish-Iraqi Business Council): "Tam rakamsal boyutunu kimse bilemez ama her yıl milyar dolarlar üstünde seyrediyor" ("We cannot know the exact figures of the investments, but they are worth billions of dollars every year") in "Kuzey Irak'ta sadece 3 Türk yatırımı var" ("There are only three Turkish investments in Northern Iraq"), ANKA News Agency, November 12, 2007. Available online (<http://haber.mynet.com/detay/ekonomi/Kuzey-Irak--ta-sadece-3-Turk-yatirimi-var/12Kasim2007/N109997>).

30. Author interview with businessmen, February 22, 2008, Sulaymaniya.

31. Ibid.

entail striking a balance among pressures from Baghdad, Washington, Ankara, and Tehran on a number of issues:

- **The KRG will grudgingly accommodate some Arab and American demands on the Kirkuk and oil law issues.** The KRG has a fluctuating relationship with the United States and faces increased leverage from Baghdad. Hence, although it might delay action on the PKK issue for the time being, some de facto compromise may be worked out on Kirkuk and, more likely, the oil law (for more on the latter, see chapter 4).
- **The KRG's military-security-intelligence relationship with the United States, especially against AQI, will continue but become more strained.** In particular, this relationship might become less important to the United States as the Iraqi Security Forces (ISF) improve and *peshmerga* assistance therefore becomes less important. Lately, the United States and the rest of Iraqi society have begun to view the Kurdish presence in the Iraqi armed forces in multiethnic areas outside the KRG as diluting the "Arab" character of Iraqi security initiatives. Hence, the strong role of ethnic Kurds in the ISF in places such as Mosul seems to have become less useful for Washington and Baghdad. For example, before U.S.

and Iraqi forces retook downtown Mosul from AQI in spring 2008, military planners reshuffled the ISF to reduce the role of ethnic Kurds in the offensive.³²

- **The KRG will continue to walk a fine line in its dealings with Turkey, which is, after all, an outside power.** KRG officials believe they can manage Turkey because they seem to be able to read Ankara's intentions well, characterizing Turkish policy toward them as transparent and predictable. Additionally, because much of Turkey's energy is currently spent on internal politicking between the AKP government and the secular opposition, the KRG's job of managing Turkey has become easier. If, however, the Kurds face a physical challenge from the Arabs in Kirkuk, that could impel them to work out their differences with Turkey over the PKK issue.
- **The KRG will continue its low-profile relationship with Tehran.** This will be the case especially because Iraqi Kurdish leaders fear and have difficulty reading Tehran's intentions. Iran's policy toward Iraqi Kurds is neither transparent nor predictable; as one KRG official put it, "Iran serves [the Kurds] poisoned honey, but never either just poison or honey."³³ Of the four relationships the KRG must juggle in 2008, its ties with Iran will be the most difficult for outside observers to read.

32. Author interview with former Iraqi Ministry of Defense official, March 15, 2008, Washington, D.C.

33. Author interview with KRG politician, February 22, 2008, Sulaymaniya.

Guiding the Kurdish Role in Securing Northern Iraq

Michael Knights

ON FEBRUARY 23, 2008, following a walking tour of Sulaymaniya, The Washington Institute's delegation to the KRG sat for coffee in the Sulaymaniya Palace Hotel. Two weeks later, on March 10, a suicide bomber from Kirkuk detonated a car bomb at the same location. The hotel's vehicle gate was destroyed, the blast walls were shaken, one guard was killed, and thirty civilians were injured.

The incident underlines the fact that nowhere in Iraq is it 100 percent secure. At the same time, a single bombing should not detract from the impressive success of the KRG's security effort—Irbil and Sulaymaniya have each suffered fewer successful suicide bombings than London in recent years. That said, the bombing does highlight the need to continue strengthening security in the KRG during a sensitive period in northern Iraq's political development.

Threats Facing the KRG

The relative calm of the KRG is all the more remarkable considering the threats building up around its periphery. Most significantly, militants from al-Qaeda in Iraq (AQI) and increasingly from Kurdish-Arab Islamist groups such as Ansar al-Sunnah/Ansar al-Islam, are attempting to establish a long-term base in the troubled Sunni Arab communities bordering the KRG. In addition to threatening Iraq's northern provinces, they are constantly testing the KRG's defenses.

Mosul has been described as the "operational center of gravity" of the AQI effort in Iraq, reflecting its role as the terminus of the "ratline" used to bring foreign suicide bombers and fighters from Syria into Iraq via Sinjar and Tal Afar. Whereas violence has dropped in most areas of Iraq since summer 2007, the number of violent incidents in Mosul has doubled. Although AQI dispersed in the face of a new counterinsurgency campaign in Mosul in May 2008, it will periodically gravitate back to the city from rural hideouts as it has so many times before. Mosul is thus a long-term threat

to Irbil, the KRG's capital, as well as areas northwest of Irbil, such as Makhmour, which may in time join the KRG.

Kirkuk and associated parts of Salah al-Din province present a similar long-term threat to Sulaymaniya province. Although security in Kirkuk itself has improved steadily, with violent incidents halving during 2007, the city's southwestern suburbs and satellite towns such as Hawija (70 kilometers southwest) remain insurgent hotbeds. As long as Arabs fear "reverse Arabization"—Kurdish domination of the security forces and Kurdish population movement into the area—insurgent movements will find fertile ground in Kirkuk (Tamim) and Salah al-Din provinces.

Inside the Kurdish region, the KRG's control is challenged in two areas by terrorist groups. In the northeast, the PKK controls a swathe of KRG territory where it has camps and about 3,500 members (see figure 2, page 17). To the south of the KRG are Halabja and Khurmali, traditional Ansar al-Islam bases, and to the east is the long Iranian border across which such groups range, dropping back into Iran when pressed by KRG forces. New groups seem to be developing in the Iranian border area such as Katibat ul-Kurdistan, a splinter of Ansar al-Islam that shares many of the same border areas as members of the PKK and Party of Free Life of Kurdistan (PJAK), a PKK franchise that attacks Iran.

Kurdish security forces are well aware of the long lineage of Iraqi and Iranian Kurds in the al-Qaeda movement. Links forged in Afghanistan during the 1990s have been maintained, resulting in fluid movement of fighters between the Afghanistan-Pakistan conflict zone and the Iraqi theater. The key route for such fighters is Iran, and the border serves as an invisible sanctuary for Iraqi and Kurdish Salafists fighting the KRG. In late December 2007, for instance, well-equipped Ansar militants in snow-camouflage and Iranian combat boots assaulted a KRG police station in the Karmak

area of Banjawin before falling back into Iranian territory.¹ Kurdish security officials widely believe that the Islamic Revolutionary Guard Corps has some measure of awareness and perhaps even control of such activity. On April 16, 2008, Jafar Barzinji, the KRG minister of affairs for *peshmerga*, told the *Los Angeles Times* that Ansar al-Islam has been used as a “pressure card” by the Iranians to force the KRG to rein in anti-Iranian PJAK operations.²

Defending the KRG: The Inner Ring

The three Kurdish provinces have committed themselves to developing defenses that do not rely on the federal government’s security structures. Although article 107 of the Iraqi constitution identified “national security policy” and “security of Iraq’s borders” as exclusive federal powers, the KRG continues to take the lead on its own security. Article 117 made the regional government responsible for “the establishment and organization of the internal security forces for the region, such as police, security forces, and guards of the region.” Informally, the Iraqi National Intelligence Service and other similar federal structures are constrained in their freedom of action by the presence of active counterintelligence operations by the KRG.

Enabling security powers. The KRG’s security campaign is two tiered. The inner ring deals with the detection and disruption of militancy or a perceived threat in the KRG itself. Security operations within the KRG rely upon extensive security powers enshrined in a new KRG counterterrorism law. For instance, Arabs who come to the KRG from the rest of Iraq are required to register every three months, at which time a Kurdish citizen must vouch for the applicant. As a rule, for all citizens and guests, gun control is enforced to an extent unknown in the rest of Iraq. KRG law requires licensing for firearms kept at home and bans public

carrying of weapons except for on-duty security forces, although the definition of “on-duty” can be broad for *peshmerga* fighters.

A new press law being amended by the Kurdish legislature’s³ legal committee is likely to further strengthen government powers, though at the expense of civil liberties. The law passed by parliament in 2007 called for journalists to be imprisoned for publishing articles that violate the KRG counterterrorism law, but KRG president Massoud Barzani refused to ratify the law until the committee debated civil liberties issues. The parliamentary committee has proposed changes protecting journalists from imprisonment, but articles that insult religious beliefs and leaders, or threaten national security, will likely trigger punitive options, including heavy fines (up to 10 million Iraqi dinars, or \$8,300) and closure of publications.⁴

The KRG law on political parties regulates the formation of civil society organizations and political parties, ensuring that such organizations not only are licensed by the Ministry of Interior (MoI) but also are provided with stipends by provincial governors and discouraged from other fund-raising activities. This feature of KRG law has two key effects: first, it encourages dependency on government handouts and reduces vulnerability to external cultivation by foreign groups; second, it prevents certain groups, such as Islamist factions, from gaining the level of funding needed to develop satellite-television networks and other means of increasing their power. An ancillary feature of the law is that civil society organizations of all types are constrained in their ability to act independently of the government; such movements have occasionally found themselves blacklisted and denied funding when they have offended either the KDP or the PUK.⁵

Kurdish Islamist groups are monitored particularly closely, and government intelligence and media operations have successfully been used to splinter and

1. Author interview with KRG security officials, Sulaymaniya, March 2008.

2. Amy Zalman, “Kurdish Militants in Iraq Play Dual Role of Terrorists and Allies,” *Los Angeles Times*, April 16, 2008.

3. Known in the KRG as the Kurdistan National Assembly.

4. Wrya Hama-Tahir, “KRG Press Law Proposals Cause Concern,” Institute for War and Peace Reporting, May 27, 2008. Available online (www.iraqupdates.com/p_articles.php?refid=DH-S-27-05-2008&article=31611).

5. This discussion is based on the author’s conversations with civil society organizations and KRG officials in the KRG, February 2008.

discredit extremist factions. Kurdish security officials claim that the Ministry of Awqaf and Islamic Affairs appoints all imams in all of the KRG's 3,000 mosques, as well as in any new ones that are built. Although to say that every preacher in each small hamlet is vetted may be a stretch, the larger urban mosques are probably regulated. Thus, the government can influence the kind of preaching received by the majority of the population. It also means that even if foreign states sponsor the creation of large new mosques, they cannot simply install their own radical preachers.

Security agencies. In each of the KDP and PUK areas, security is under the overarching control of the regional security agency. This embryonic level of command is being developed to improve integration of security activities. At present, both the KDP and PUK maintain separate regional security agencies. The least visible elements of each regional agency are the covert intelligence-gathering arms—the Parastin (KDP) and Zanyari (PUK) organizations—which are kept separate because of the sensitive regime security role they play in each party. Asayesh, an FBI-type operational arm of the counterterrorist and counterintelligence establishment, achieves better cooperation because it is not involved in sensitive party business.

The most visible element of the security apparatus is the MoI and its subservient KRG police service. Currently, MoI personnel are locally recruited in the KDP provinces (Irbil and Dahuk) and in the PUK governorate (Sulaymaniya), although the administration of the ministry is being integrated at the wider regional level. Throughout the 1990s, the regional police service experienced considerable change, evolving from a distrusted and disrespected force to one with primary responsibility for public order inside the KRG. New vehicles and uniforms plus specialist tactical support units (SWAT-type formations) have given the police service a considerably higher profile.

The strength of the police service, which is paid for by the federal MoI, is currently approximately 30,000 personnel.⁶

Outside major cities, the security of the KRG is increasingly militarized. About 106,000 *peshmerga* remain on active service. Of these troops, about 46,000 are under KRG operational command, split between eight brigade-sized *peshmerga* commands distributed around the KRG and on its borders in Ninawa, Kirkuk, and Diyala provinces. This force is being reorganized as a regional guard under a corps-level command and three divisional headquarters.

By 2009, the remaining 60,000 will be functioning under federal operational control, running from the Prime Minister's Office of Commander in Chief through the Iraqi Ground Forces Command. About 35,000 are already serving in Iraqi army units, particularly the 2nd and 3rd Iraqi army divisions. About 25,000 are being incorporated into two new Iraqi army divisions due for completion in 2009.⁷

The majority of the 46,000 KRG-commanded forces are fanned out, shielding Irbil and Sulaymaniya from the insurgent strongholds of Mosul and Kirkuk. Four brigade-sized forces shield Irbil, with two guarding the highways from Mosul and Qayyara. One brigade is positioned west of Sulaymaniya, shielding the city from Kirkuk, while another guards the southern approaches to the KRG from Tuz Khurmatu and Khanaqin. Multiple layers of vehicle checkpoints radiate across the road systems between insurgent strongholds and the KRG, backed by a security-patrolled antitank ditch around Irbil, the city that constitutes the main target for car bombs driven by Sunni Arab suicide bombers.

International border security. The KRG's northern and eastern borders also require attention from the security forces. Turkey regularly shells the PKK camps in the KRG and occasionally launches small cross-border

6. This discussion on the KRG police service is based on the author's conversations with Minister of Interior Karim Sinjari and senior MoI advisors in the KRG, February 2008.

7. The author would like to thank D. J. Elliot and Bill Roggio of the *Long War Journal* for generously sharing their great insight into the Iraqi order of battle. See (www.longwarjournal.com).

der operations in retaliation for the PKK's attacks into Turkey. Facing Turkey, the KRG deploys two *peshmerga* brigades around Dahuk and Zakho. One of the principal tasks for these forces is screening Turkish troops stationed 40 kilometers inside the KRG at Bamerni, Sirti, Batofa, Kani Masi, Bikofa, and a smaller base located 70 kilometers east at al-Amadiya. Although about a thousand Turkish troops and sixty armored vehicles have been allowed to retain these bases in Iraq since 1997, the movement of Turkish troops inside the KRG is limited and this tense arrangement is closely monitored by the Kurds.⁸ It was Turkish forces in Bamerni, for instance, who were blocked from leaving their base on February 24, 2008, as they sought to act as either a diversionary or blocking force to support a larger sweep launched along the Turkish-Iraqi border.⁹

Along with *peshmerga* forces, many other Kurds have been absorbed into the federal Department of Border Enforcement. One battalion covers Zakho and al-Amadiya districts in the KDP-run areas of the Turkish border, including the Habur crossing to Turkey. However, considerable stretches of the Turkish-Iraqi and the Turkish-Iranian borders are controlled by the PKK and not the KRG (see figure 2).

Another KRG battalion covers the Iranian border districts of Soran and Choman, also in the KDP area— Iran regularly shells PJAK camps inside the KRG. A final Department of Border Enforcement battalion covers the Iranian border districts of Pshdar, Sharbazher, Penjwin, and Halabja, plus one point of entry, all of which are within the PUK-run area. In time, each of the three zones is expected to expand to brigade strength (with four battalions each). Each major point of entry will be guarded by a battalion, with other battalions either spread out among forty-two-man bases or concentrated in mobile patrolling groups. Covering over 900 kilometers of extremely rugged border and avoiding corruption will require a force of at least this size, backed by extensive equipment, training, modern bases, and adequate pay.¹⁰

Kurdish Operations Inside Non-KRG Iraq

The second tier of the KRG's defenses is positioned outside the region, "over the border" in Iraq proper. One reason for extensive KRG activity in this area is to maintain a presence in regions to which it has a claim (see figure 1, page 15). KRG military presence in these regions has led to some backlash among the Arabs. Some of this backlash now targets the KRG itself. Hence, the KRG wants to deny would-be attackers any sanctuary from which to attack Irbil or Sulaymaniya. The range of threats facing the KRG from nearby areas is daunting. To the west of the KRG sits Mosul. To the southwest are Kirkuk and Hawija. To the south of Sulaymaniya province is Tuz Khurmatu, Kifri, and the Hamrin mountains, which are used by AQI and related groups to reach the Diyala river valley.

The KRG takes a close interest in the areas of Iraq on its border, and many thousands of Kurdish *peshmerga* are active in these areas, either within the federal security forces or serving as *peshmerga* not under Baghdad's operational control. Kurdish intelligence and paramilitary forces work closely with Kurdish communities across these areas to thwart attacks against the KRG at the earliest stages. Even if Kurdish security forces initially helped improve security in areas of northern Iraq outside the KRG, the heavy Kurdish presence in the Iraqi army in places outside the KRG is leading to a backlash in some places, such as Mosul.

Case study: *Peshmerga* in Mosul. It is worth looking in detail at some Iraqi army units to get a sense of how Kurdish forces fit in. In this regard, a case study of Mosul would be useful because it demonstrates that an effort to dilute Kurdish domination in some sections of the Iraqi Security Forces (ISF) is perhaps a new trend in the non-KRG areas.

In northernmost Iraq, the Ninawa Operations Command (NiOC) includes many Kurdish elements. In theory covering the provinces of Ninawa, Irbil, and

8. Author interview with KRG security official, Dahuk, February 2008.

9. Ibid.

10. See the Department of Border Enforcement order of battle. Available online (www.longwarjournal.org/multimedia/OOBpage11-DBE.pdf).

Dahuk but in practice mainly covering Ninawa, the command comprises two Iraqi army divisions with substantial numbers of Kurdish soldiers. The command has been responsible for fighting the intense insurgency in Mosul as well as suppressing the “ratline” running through Sinjar and Tal Afar.

The NiOC itself is headed by Lt. Gen. Riyadh Jalal Tawfiq, the former commander of the 9th Iraqi army division, one of the high-quality units that make up the federal government’s Quick Reaction Force. General Riyadh, a Sunni Arab Mosulite from the al-Qusairi family in Bab al-Jadid in Arab western Mosul, has a strong Iran-Iraq War record and is well connected in the city. He was appointed by Prime Minister Nouri al-Maliki to reduce Kurdish influence over security decisionmaking in the city, which had previously been dominated by Ninawa’s Kurdish-backed governor, Duraid Kashmoula, and deputy governor and KDP official Goran Khisro. Indeed, General Riyadh furthermore used his influence with his sponsor, Prime Minister al-Maliki, to get Khisro removed from his position in Mosul for interfering with NiOC operations.¹¹

General Riyadh also took steps to reduce Kurdish predominance in the 2nd Iraqi army division. In April 2008, he replaced the divisional commander, Brig. Gen. Moutaa al-Khazraji, a Kurdish general, with Shiite Arab Maj. Gen. Abdulla al-Lami. According to well-placed sources, Brigadier al-Khazraji was removed for taking orders not from his immediate supervisors, but directly from Goran Khisro and from commander of the Iraqi Ground Forces Command (and KDP *peshmerga* commander) Gen. Babakir Shawkat Zebari, both ethnic Kurds.¹²

General Riyadh has also sought to balance Kurdish predominance in 2nd division manpower. Like other even-numbered Iraqi army divisions, the 2nd division was drawn from Iraqi National Guard units recruited from specific sectarian or ethnic enclaves (KDP territory in the case of the 2nd division). In a city where the Kurds make up about a third of the population, Kurds

make up 55 percent of the key Iraqi army unit garrisoning the area. The two strongest brigades operating in Mosul—the 6th and 8th Iraqi army brigades—were estimated in March 2008 by their officers and U.S. observers to be about 90 percent Kurdish, manned predominantly by former KDP *peshmerga* from Irbil and Dahuk provinces.¹³

Numerous means were used to dilute Kurdish influence over security in Iraqi army brigades in Mosul. One was to attach predominantly Sunni Arab individual battalions from other brigades of the division. Another has been to boost Sunni Arab recruitment to the 2nd division brigades, drawing in recruits from 11,000 candidates identified by the new Sunni Arab Sahwa movement. A final option has been to bring new formations in from outside the city. When General Riyadh launched Operation Zaeer al-Assad Fi Saulat al-Haq (Lion’s Roar in Rightful Assault) in May 2008, he brought his former troops from the ethnically mixed 9th division to Mosul to balance out the strong Kurdish manning of the 2nd and 3rd Iraqi army divisions.

***Peshmerga* Control of Infrastructure Outside of the KRG**

Rumors abound about KRG *peshmerga* control of key infrastructure in northern Iraq. In this regard, the situation in Kirkuk provides a case study for examining such rumors. The 14th Iraqi army brigade of the 4th Iraqi army division, based in Kirkuk, is predominantly Kurdish and maintains three battalions in the city, plus another predominantly Kurdish Iraqi army brigade—the 15th—in camps across nearby Sulaymaniya governorate. Iraqi army forces in Kirkuk are supported on the city’s eastern side (including the oil field areas) by *peshmerga* forces not incorporated into the Iraqi army. These *peshmerga* are positioned not only to seal the eastern edges of the city facing Sulaymaniya but also to protect (and thus control) oil infrastructure. Indeed, the *peshmerga* sparked Iraqi government concerns when it prevented Iraqi Min-

11. Author interview with U.S. military intelligence officers serving in Ninawa, May 2008.

12. Ibid.

13. In the numbering used until 2007, these were the 2-4 (second brigade of the fourth division) and 4-4 brigades.

istry of Oil engineers from entering the Khurmala Dome area of the Kirkuk oil fields in 2007 and again in May 2008.¹⁴

In other cases, Kurdish forces have secured infrastructure under the federal government's operational control. The KRG is in the process of transferring approximately 25,000 *peshmerga* into the Iraqi army, providing the manpower for Iraqi army brigades that will probably be spread across multiple divisions. From this total, the KRG responded to a federal government request in summer 2007 to deploy three *peshmerga* battalions under Iraqi army control along the Kirkuk-Beyji road as the first step in fully integrating them under the MoD.¹⁵ This force replaced three strategic infrastructure brigades recruited from Kirkuk and Beyji that were withdrawn from service to be converted into light infantry brigades of the Iraqi army.¹⁶

The *peshmerga* battalions' role was to prevent oil facilities, pipelines, and electricity pylons from being attacked. Kurdish forces were successful in this mission. As the strategic infrastructure brigades complete training and emerge as the newly minted brigades of the 12th Iraqi army division, the Kurdish brigades will likely be rotated off the Kirkuk-Beyji axis and rolled into Iraqi army training programs. The resultant new brigades will include a number of Kurds from Kirkuk but also comprise a heavy leavening of Sunni and Shiite Arabs from Salah al-Din and Kirkuk. In comparison to KRG Kurds (who may have been removed during Arabization and often speak little Arabic), Kurds from places like Kirkuk tend to get along more easily with Arabs and Turkmens because of their long-standing linguistic and social interaction.

Other deals have seen selected *peshmerga* battalions marked for Iraqi army integration used in Mosul, Baquba, and even Baghdad during major security operations. The 14th Iraqi army brigade¹⁷—a

unit recruited in Kirkuk and now considered one of the best in the army—was rushed to Basra in late March to take part in the impromptu security operation there. The KRG has also offered the Ministry of Defense (MoD) access to an additional brigade-sized group of *peshmerga* for deployment to Samarra, ostensibly to provide nonaligned protection for Shiite shrines in the city.¹⁸

In addition to the Iraqi army, many thousands of Kurds are employed in the Iraqi Police Service (IPS) and other federal security forces (precise numbers are not known). In Kirkuk and Ninawa, for instance, the Kurdish-dominated provincial councils installed provincial directors of police approved by the Kurdish parties, and Kurds have become a major component of local IPS forces in both locations. In the former, the Kirkuk city council is instituting a plan to introduce ethnic quotas into the IPS, based on a 32-32-32-4 percentage split among Kurds, Arabs, Turkmens, and Christians.

Alongside overt security forces, the KRG also contributes to Iraq's security in less obvious ways. Actions by Parastin, Zanyari, and other Kurdish intelligence organizations are one very low visibility means of support. Operating from joint coordination cells at sector and divisional levels, Kurdish intelligence officers exchange information with coalition and Iraqi forces. Many operations are intelligence-led, building on intercommunal cooperation between the leaders of ethnic blocs. Not all aspects are harmonious; the KRG is always keen to see the coalition (rather than Iraq's security forces) arresting suspected militants because of the coalition's ability to detain insurgents for longer periods and the reduced likelihood of such individuals being released in the mass amnesties that are beginning to thin out the detainee population.¹⁹

14. Author interviews with Iraqi Ministry of Oil officials and British oil services consultants, June 2008.

15. United Press International, "Peshmerga to Protect Iraq Power and Oil," July 30, 2007. Also see Radio Free Europe/Radio Liberty, "Mustafa Mahmud, Iraq: Plan to Deploy Peshmerga to Kirkuk Alarms Minorities," August 8, 2007. Available online (<http://www.rferl.org/content/Article/1078043.html>).

16. The author would like to thank D. J. Elliott, editor of the *Long War Journal* Iraqi order of battle project, for his assistance with this section.

17. A former strategic infrastructure brigades unit converted to join the Iraqi army, formerly numbered 1-4 (first brigade of the fourth division).

18. Jim Randle, "Iraqi Army Soldiers from the Kurdish North Head to Baghdad," Voice of America, February 16, 2007; also see Mussab al-Khairalla, "Kurd Fighters May Add Muscle to Baghdad Offensive," Reuters, February 9, 2007.

19. Author interviews with KRG Ministry of Interior advisors, February 2008, and U.S. military intelligence officers serving in Ninawa, May 2008.

Suspicious Regarding KRG Motives

For all the preceding reasons, the important KRG contribution to Iraq's overall security should be recognized. Nevertheless, the suspicion felt by the Kurds toward Baghdad's security apparatus is not entirely one-sided. The presence of Kurdish security elements outside the KRG is commonly interpreted by other ethnicities as part of a plan to extend de facto KRG control over areas bordering the KRG and ultimately incorporate them into the KRG-administered area.

Although the Kurdish factions eschewed a rapid annexation of bordering districts after Operation Iraqi Freedom, the gradual extension of Kurdish power in adjacent areas has been apparent. The Sunni boycott of the January 2005 provincial elections saw disproportionately high numbers of Kurdish officials elected to the provincial councils of Ninawa and Kirkuk, which led to the appointment of Kurdish provincial police chiefs and large numbers of Kurds within the local IPS. In some places, regrettable Kurdish actions were less subtle; in Ninawa province, for instance, *peshmerga* abused their position to skew voting during the October 2005 referendum on the constitution.

Kurdish attitudes to Sahwa (Awakening) movements and associated Sons of Iraq/Concerned Local Citizens (CLC) police auxiliary units are another factor that causes concern among Sunni Arabs, Christians, and Turkmens in the north. In some areas such as Mosul, U.S. military commanders initially restrained the formation of CLCs because the dense multiethnic weave meant that such units would not draw on any primary identity that would aid cohesion. Under such circumstances, CLCs would not be any more valuable to existing security forces than recruitment. In other areas, such as Kirkuk and Tal Afar, the Turkmens suspect that Kurdish factions are preventing the formation of CLCs precisely because the Kurds do not want non-Kurdish armed groups organizing and securing their own communities. The KRG wants to maintain

its military and security domination in non-KRG areas bordering its territory. Indeed, the director of Kirkuk's Security Department, Brigadier Halo Najat Hamza, an ethnic Kurd, admitted as much in an interview in February 2008.²⁰

In the interim, some CLC units are being formed in urban and rural Sunni areas that are considered to be al-Qaeda strongholds; in other areas in Kirkuk proper, Kurdish influence continues to block the formation of Arab and Turkmen CLC units. In addition to CLC units likely in Kirkuk, strong rationale for a Yezidi "Awakening" movement might exist in Sinjar, for example, and likewise for a Turkmen CLC police auxiliary unit in Tal Afar. In Khanaqin and the upper reaches of the Diyala river valley, a strong rationale would exist for the creation of Shiite Kurd (Feyli) and Shiite Turkmen CLC units.

Likewise, KRG deployment of *peshmerga* brigades along the Kirkuk-Beyji road disconcerted non-Kurdish communities. Fears of a landgrab have periodically been heightened by incidents such as those when *peshmerga* militia prevented federal personnel from entering the Khurmala Dome oil fields near Kirkuk in 2007 and 2008. Any Kurdish deployment to critical infrastructure will raise suspicions—for example, if in future the KRG exploits its control of segments of the Kirkuk-Ceyhan pipeline to graft new feeder junctions onto the export line and directly "plug in" to Iraq's northern export artery.

Iraqi Arab concerns even extend to discussions of the future of the *peshmerga*, albeit under the formal label of the "Kurdistan Regional Force." Baghdad continues to refuse to pay for the 46,000 active service *peshmerga* not incorporated into the police or the Iraqi army, and a MoD commission has yet to rule on the issue. Officials from the prime minister's office have mentioned the issue of Kurdish independence during negotiations with the KRG over *peshmerga* finances, asking whether these forces were intended for future use against Iraqi federal forces.²¹ Clearly the issue is a sensitive one for both sides.

20. Author interview with Kirkuk provincial council members, February 2008.

21. Basil Adas, "Military Budget Sours Relations between Kurdish and Arab Leaders," *Gulf News*, January 25, 2008.

Avoiding Provocations, Reinforcing Positive Measures

The political situation in the multiethnic areas bordering the KRG will vitally affect the security situation in these areas and indeed in the KRG itself. In particular, any precipitate movements to expand KRG territory would likely result in a major increase in Sunni Arab and Turkmen grievances in areas such as Mosul and Kirkuk. It would provide a major boost to movements such as AQI and Ansar al-Sunnah/Ansar al-Islam at precisely the moment when they are being steadily isolated from the mainstream Sunni Arab communities. In areas like Hawija, terrorist groups are seeking to outlast the coalition's presence and would welcome any factor that might increase the support they would receive from Sunnis in their attacks on Kurdish and federal government forces. An expanded KRG would likely incorporate many thousands of such disgruntled Sunnis within its lengthened borders, resulting in an immediate reduction in security within the KRG. Perhaps with this in mind, even KRG officials will privately admit that they would be happy to relinquish their claim to Hawija, the boiling center of the Sunni insurgency, while continuing to fight for Kirkuk.²²

In this regard, following are some steps to resolve the issue of contested regions that the KRG might be encouraged to undertake:

- **Holding free and fair provincial elections in November 2008.** The importance of new local polls cannot be overstated. Elections offer the chance to ease the concerns of non-Kurdish communities across the north. The number of Kurdish-backed governors and police chiefs would be reduced, or they would at least be forced to pay greater heed to their non-Kurdish constituents. Although considerable demographic alteration has taken place in “disputed areas,” such as Kirkuk and to a lesser extent Mosul, Arab and Turkmen communities would nonetheless see themselves more effectively represented across the north. Postponing elections much

beyond the mooted November 2008 date or any obvious manipulation of the results could be highly destabilizing. The coalition should provide the UN Assistance Mission for Iraq and the Independent High Electoral Commission for Iraq with prioritized support in an effort to make elections possible.

- **Correcting the ethnic balance of security forces.**

The incorporation of all key communities into the successful Kirkuk Joint Operations Center highlights the value of multiethnic ownership of security initiatives. The same principle applies to the makeup of the security forces, which should include more non-Kurdish personnel. In Kirkuk, political sensitivities have led to the use of a strict formula for ethnic diversification of the security forces, supposedly splitting roles on a 32-32-32-4 percentage basis among Kurds, Sunni Arabs, Turkmen, and Christians. In other areas, a less formal split may be preferable. Kurdish officials should be encouraged to study the benefits of supporting non-Kurdish Awakening movements and their related police auxiliary units as a means of identifying recruits to the ISF.

What Can the West Do?

Whatever security support the international community provides to the KRG, it must naturally do so in a way that is consistent with the KRG's status as a part of Iraq. Oil companies considering setting up offices in the KRG purely for security reasons have learned that any such action will be opposed in Baghdad as an implicit recognition of KRG independence. This issue of supporting the KRG without recognition for Iraq is thus a political minefield. Nevertheless, the KRG's unique status as a regional government within Iraq has arguably left it disadvantaged from a security perspective because of Baghdad's perception of the KRG as a secessionist enclave, because of the lack of clarity surrounding the resourcing of regional security forces, and because resources are being drawn to other areas in Iraq that are considered more threatened.

22. Author interview with KRG foreign affairs and extraregional affairs officials, Irbil, February and March 2008.

States supporting the stabilization of Iraq can best guide the KRG toward the preceding steps if they demonstrate their commitment to the KRG's security in the following tangible ways (assuming the KRG maintains its commitment to Iraq):

- **Mediate budget disputes over security.** At the time of writing, 46,000 *peshmerga* remain under KRG operational control and on the KRG payroll. Thousands more military-age males could be called up from reserves as a “backing force,” to use *peshmerga* terminology. Up to 90,000 more are drawing retirement stipends. Collectively, these forces represent an enormous drain on the KRG treasury. The KRG will struggle to secure federal funding for a 46,000-strong regional force as long as these forces are not incorporated into the federal chain of command. KRG leaders have pointed to a compromise solution that would see the KRG reduce the number of active-service *peshmerga* it maintains as long as the federal government will fund job creation programs to offer *peshmerga* an “off-ramp” into new employment. Payment of pensions for approximately 90,000 former *peshmerga* is another option that might placate Kurdish concerns, albeit probably not backdated to 1991 as set out by the KRG in its initial bargaining position.
- **Look closely at Sons of Iraq movements.** The coalition may need to incentivize the creation of Sons of Iraq movements in areas such as Kirkuk and Ninawa beyond Mosul by offering initially to pay these forces from U.S. Army Commander's Emergency Response Program funds. In some areas, Sons of Iraq clearly do not make sense; in others in northern Iraq, KRG politics are playing a destructive role in preventing formation of potentially helpful Sons of Iraq.
- **Boost security assistance.** The international community should work to ensure that the KRG receives its fair share of security assistance provided to Iraq by

engaging directly with the KRG concerning the provision of counterterrorism equipment and training:

- The gradual establishment of Iraqi federal government authority over *peshmerga* units should be promoted as a confidence-building measure between Baghdad and Irbil.
- The balancing of ethnicities in Iraq army divisions positioned along the KRG's borders should stimulate increased equipment transfer from the federal MoD, which appears to have restricted equipment flows to predominantly Kurdish formations in the past. According to Lt. Col. Jeff Meeker, a U.S. Military Transition Team advisor for the 6th Iraqi army brigade, each of the formation's battalions had eight to ten operational vehicles as Operation Lion's Roar began. As a result of wear and tear, limited spare parts, and extensive improvised explosive device coverage on Mosul's main arteries, the 2nd division had 56 vehicles out of action, 60 in repair workshops, and 118 functional as the operation commenced. The 2nd division was also lacking most of its “enablers,” such as each brigade's intelligence, engineering, and logistics companies.²³
- Explosives scanning and disposal equipment for vehicle checkpoints are high-value items, and the KRG should be supported in its aim to create an electronic and physical “ring of steel” around Irbil.
- Almost every category of lethal and nonlethal equipment (body armor, weapons, vehicles, radios) is urgently required. Kurdish security officials feel they are consistently disadvantaged when equipment is requested and distributed by the Baghdad security ministries.
- Dialogue should be promoted among the KRG, Iraqi, and Turkish militaries on the PKK issue, among others. In this regard, a next step could

23. Michael Kamber, “In Mosul, New Test of Iraqi Army,” *New York Times*, March 20, 2008.

be a multinational security training center in the KRG. A Turkish contribution to such a center would be a useful confidence-building measure between the KRG and Turkey, especially because Turkey has experience in centers of excellence and Turkish-Iraqi Kurdish security cooperation goes back to the 1990s. The KRG already provides relatively safe basing for training academies for the Iraqi army in Zakho and for the Department of Border Enforcement and Iraqi National Police in Sulaymaniya. Closer mentoring of Kurdish secu-

rity forces would also potentially assuage some concerns about human rights and involvement in ethnic or factional violence.

- **Make any security assistance to the KRG part of a package.** The West could consider providing the KRG forces with more advanced equipment if the KRG agrees to more fully incorporate *peshmerga* units into the ISF, alleviating Iraqi concerns over an independent military not subject to central government scrutiny.

The Oil Impasse

Audrey Flake

SINCE EARLY 2007, Iraq's federal Ministry of Oil (MoO) and the KRG have been unable to agree over the development of the country's oil and gas resources. Faced with Baghdad's intention to rescind regional decisionmaking authority in favor of the federal government, the KRG bypassed Baghdad by enacting its own hydrocarbons law in August 2007 and quickly signing fifteen production-sharing agreements with twenty small international oil companies (IOCs). The resultant standoff between Baghdad and the KRG raised Arab-Kurdish tensions at a particularly sensitive time when Iraq was bracing itself for a political storm over the future of Kirkuk and its oil deposits. The first five months of 2008 found the oil issue unresolved and the Kirkuk referendum deadline extended for six months. Despite KRG leadership resolve on these issues, Iraq's Arab majority seems intent on keeping Kirkuk and its oil wealth outside the KRG.

Notwithstanding renewed negotiations between Baghdad and the KRG on oil legislation,¹ which path the parties will take to reach a solution agreeable to all sides—allaying both Kurdish and Arab anxieties over the oil issue—remains to be seen. Understanding the issues contributing to the oil impasse will serve to evaluate possible approaches to reaching a lasting resolution to the stalemate.

Background

The development of oil and gas resources has been addressed in a number of key official texts in post-Saddam Iraq. The 2005 Iraqi constitution establishes the principle that “Oil and gas are the ownership of all the people of Iraq in all the regions and governorates” (article 108) and that revenue must be distributed evenly per capita, with some weighting for disadvantaged provinces (article 109).² Article 109 also details the shared nature of resource management between the central government and producing regions. Under article 90, disagreements over oil policy between these levels of government are handled in the Federal Supreme Court.³

The draft Federal Hydrocarbon Law approved by the Iraqi cabinet on February 27, 2007, and sent to parliament for approval stipulates that the “Federal Oil and Gas Council (FOGC),” whose members include regional representatives,⁴ “holds the responsibility of putting federal petroleum policies, exploration plans, development of fields and main pipeline plans inside Iraq, and has the right to approve any major changes in such plans and policies” (article 5). Under the same article, the FOGC maintains the power to approve or reject “model exploration and production contracts.” Essentially, fields already producing prior to 2003 (“current fields”) are to be maintained jointly by the

1. Prime Minister Nechirvan Barzani was reported as stating on April 22, 2008, that “All parties agree that the solution lies within a legal and constitutional framework and that we will resume our negotiations where we left off, using the draft hydrocarbon law of February 2007.” KRG press release, “KRG Prime Minister Reports Progress in Baghdad Meetings,” April 22, 2008. Available online (www.krg.org/articles/detail.asp?nr=223&lngnr=12&smap=02010100&anr=23883).
2. Article 109 states: “The federal government with the producing governorates and regional governments shall undertake the management of oil and gas extracted from current fields provided that it distributes oil and gas revenues in a fair manner in proportion to the population distribution in all parts of the country with a set allotment for a set time for the damaged regions that were unjustly deprived by the former regime and the regions that were damaged later on, and in a way that assures balanced development in different areas of the country, and this will be regulated by law.”
3. Article 90 states: “The Federal Supreme Court shall have jurisdiction over the following...Settle disputes that arise between the federal government and the governments of the regions and governorates, municipalities, and local administrations.”
4. FOGC membership (article 5): “The Prime Minister or his/her representative shall be the president of this council, and the council should include: Federal Government's Ministers from the ministries of oil, treasury, planning, and cooperative development; The director of the Iraqi central bank; A regional government minister representing each region; A representative from each producing province not included in a region; Executive managers of from important related petroleum companies including the national Iraqi oil company and the oil marketing company; Three or less experts specialized in petroleum, finance, and economy to be hired for a period not exceeding five years based on a resolution from the council of ministers.”

federal and regional governments, and the exploration and development of all potential and new fields fall under the auspices of the FOGC. Thus the law would give considerable power over exploration and development to a central, Baghdad-based body—to the ire of the KRG, which is eager to break ground on new fields in its area.

The draft approved by the cabinet promised to add necessary detail concerning oil exports, revenue distribution, and specific contract negotiating competencies, through further legislation to be hammered out and voted on in the future. It also set out the specifics for the establishment and operations of entities such as the FOGC and the Iraqi National Oil Company. The draft law stated that the federal government would control oil receipts and distribute them through the national budget. It also established the right of the federal and regional governments to draw up contracts with foreign companies for the exploration and development of new oil fields as long as such contracts were approved by the FOGC (article 9: *Grant of Rights*).

Fallout from a Falling-Out

The subsequent failure to secure parliamentary ratification of the draft federal oil and gas law hinted at the deep divisions in Iraqi society over the role of foreign oil companies in Iraq's hydrocarbons sector. KRG efforts to obtain Baghdad's approval of a KRG regional draft hydrocarbons law, which specified regional rights to the development of oil resources, likewise failed during spring 2007. When the KRG in response ratified its own Regional Petroleum Law on August 6, 2007, and signed fifteen new and restructured five existing production-sharing agreements by November 2007, the reaction from Baghdad was rapid; federal oil minister Hussein Shahrastani declared the KRG law and contracts illegal and threatened to blacklist any oil company working in the KRG. The KRG immediately returned the volley, declaring Shahrastani's statements "totally unacceptable" and "irrelevant."⁵ Thus began

a standoff that inflamed Arab-Kurdish tensions at an inopportune moment.

Further incensing Baghdad and Washington alike, KRG natural resources minister Ashti Hawrami visited the United States in November 2007, seeking new oil deals during stops in both Washington, D.C., and Texas. Kurdish officials, from a variety of ministries, as well as community, party, and media leaders,⁶ have since bemoaned the "U.S. green light" given to Turkey for its subsequent military strikes against the PKK and viewed U.S. acquiescence as Washington expressing its displeasure with the KRG action and legislation on the oil issue.

The Kurdish Rationale

What advantage the KRG gains from overseeing hydrocarbon development in the KRG is not necessarily obvious, given the constitutional provision that all oil revenue is to be distributed across the country on an equitable basis. If the KRG receives a share (currently 17 percent) of all revenues from the sale of Iraqi oil, why should the KRG care if a barrel of oil is pumped from Basra or from inside the KRG? The answer has three parts:

- **Leverage.** Almost all the KRG's revenue comes from Baghdad (the *Middle East Times* reports that 95 percent of the KRG's fiscal year 2007 budget, \$4.7 billion, came from the capital). One could argue that if the Kurdish region demonstrates its ability to generate revenue, contributing to the national coffers as opposed to only consuming Iraqi wealth, that would give the KRG leverage in political struggles down the road (for example, if Baghdad attempts to restructure regional budget allocations, claiming that the Kurdish population reflects a 13 percent need rather than the currently established 17 percent).
- **Increased revenue.** The more oil revenue Iraq has, the more the KRG gets. Natural Resources Min-

5. KRG press release, "KRG Responds to Dr Shahrastani's Recent Statements on Oil," September 11, 2007. Available online (www.krg.org/articles/detail.asp?smap=02010100&lngnr=12&asnr=&anr=20130&rn=223).

6. Personal communications to the author, Sulaymaniya and Irbil, February 2008.

ister Hawrami enumerated this win-win situation in a December 2007 meeting with Vice President Dick Cheney, stating, “Our efforts in Kurdistan will greatly increase the Iraqi national budget, while providing much needed resources for the Kurdistan Region.”⁷

- **Offset investment.** KRG politicians are well aware that oil companies can be contractually mandated to invest in local communities and that their presence stimulates economic activities capable of generating revenue and jobs. Investment from foreign petroleum companies will bring much more than just oil revenues and badly needed physical infrastructure. Part of the contract negotiation process for the production-sharing agreements involves a determination of local investment by the firms in public infrastructure such as road, water, and waste systems. Jobs are also promised as a result of oil investment, both directly connected to the oil sector and through the attraction of related industries to the area, as promised by such projects as Dana Gas’s Kurdistan “Gas City.”⁸ Oil contracts also generate direct profits for well-placed politicians capable of facilitating deals.

To date, the KRG approach has been to test the waters and attempt to establish a *fait accompli*. In the near term, the KRG stands by its interpretation of the constitution. In the longer term, when oil revenues are flowing into Baghdad’s coffers, KRG officials anticipate that Baghdad will accept the value of the KRG’s relatively rapid oil exploration and acquiesce to KRG control over new hydrocarbon development.

In March 2008, the *Middle East Economic Survey* quoted Minister Hawrami as saying, “We don’t need an agreement with Baghdad. But we would prefer to work together in harmony. The [northern export] pipeline is actually under our control...when we reach the point when we can export, we will. After all, this is Iraqi oil

for the benefit of all Iraqis.” Such a comment reflects an assumption that the landlocked KRG will be able to connect to the single oil export artery that travels from the rest of Iraq up through Turkey: the Kirkuk-Ceyhan pipeline. Given the troubled relationship between Ankara and the KRG regarding the PKK, this resolution is by no means guaranteed.

Reaction to the KRG Deals

The Iraqi government response to KRG hydrocarbons legislation, contracts, and field development has been stark and uncompromising, whereas the U.S. response has left room for interpretation, expressing frustration over the legislative impasse but neither supporting nor condemning the KRG actions outright.

Baghdad. Shahrastani has taken a hard line against the KRG deals, stating, “Any contract signed without the approval of the Oil Ministry and central authority in Baghdad will not be considered legal and Iraq is not committed to it.” He has furthermore done his best to make an example of certain firms signing new contracts in the KRG, threatening to end current and reject future operations by those firms in the rest of the country. In the highest-profile case, SK Oil, a South Korean IOC, saw its oil shipments from Iraq’s southern oilfields cancelled in December 2007. Likewise, the Austrian firm OMV saw its share of Iraqi oil exports cut to protest its dealings with the KRG. All firms operating in the KRG have been blacklisted in the tendering process for midstream (developing existing fields) and upstream (exploration) deals in areas controlled by Iraq’s federal government. Unless they can demonstrate considerable ingenuity, such firms will not win contracts tendered by the MoO. Most small IOCs, however, would have little chance of winning the megadeals that the central government will tender in the next few years. As a result, Baghdad’s threats have tended to concern only the

7. KRG press release, “KRG Deputy PM Fattah Meets US Vice President Cheney,” December 5, 2007. Available online (www.krg.org/articles/detail.asp?map=02010100&lngnr=12&casnr=&anr=21736&rn=223).

8. Sam Dagher, “As Baghdad Grapples with Sadr City, Iraqi Kurdistan Busily Builds ‘Dream City,’” *Christian Science Monitor*, May 7, 2008. Available online (www.csmonitor.com/2008/0507/p07s01-wome.html).

major IOCs with much to lose in non-KRG Iraq. For small IOCs like SK Oil, relations with the KRG— not Baghdad—are the prize.

Washington. In contrast to Baghdad's tough stance on the KRG deals, Washington has not directly challenged the oil contracts, though it has stressed that political reconciliation and passage of national laws should take priority over regional development efforts. Washington has indirectly discouraged the KRG from actions that might isolate it politically, increase suspicion of ulterior motives, and further hamper reconciliation efforts. However, KRG officials may perceive the lack of outright criticism by the United States, along with conflicting signals from different administration officials, as tacit approval for continuing with the contracts and development on the ground.

The Bush administration's July 2007 report, reviewing progress on the eighteen benchmarks set by Congress at the time of the surge, assessed Iraq's progress on "Enacting and implementing legislation to ensure the equitable distribution of hydrocarbon resources to the people of Iraq...in an equitable manner" as "unsatisfactory." The report concluded that "The effect of limited progress toward this benchmark has been to reduce the perceived confidence in, and effectiveness of, the Iraqi Government."⁹ The report reflected Washington's frustration with stalled hydrocarbons legislation, and a December 2007 article in the *Washington Post*, alleging that in September 2007 U.S. State Department officials called representatives of major oil companies to discourage them from signing deals with the KRG, suggests the administration is uneasy about the KRG getting too far ahead of Baghdad on the issue.¹⁰ Vice President Cheney also held meetings around

this same time with KRG deputy prime minister Omar Fattah Hussein and natural resources minister Hawrami to discuss ways to solve the impasse with Baghdad. Press reports at the time suggested that Kurdish officials saw the meeting as signaling a change in U.S. attitude on the issue.¹¹

Statements from both administration officials and Congress in the first half of 2008 continued to reflect impatience with the pace of progress on hydrocarbon legislation. During his trip to Iraq in March 2008, Vice President Cheney urged the Iraqi government to take positive steps toward resolving the oil issue, especially following other political gains, saying, "It's a basic oil law that's been in the Council of Representatives now for many months, but needs to get resolved.... My interest today was encouraging them to move rapidly and aggressively to get them resolved."¹² After meeting with Kurdish leadership in the final leg of his Iraq tour, the vice president made sure to stress the role of the Kurds in resolving the issue, "We are certainly counting on President Barzani's leadership... to pass crucial pieces of national legislation in the months ahead." Ambassador Ryan Crocker, during a March 17, 2008, press conference alongside Cheney and General David Petraeus, echoed Cheney's comments, stating, "Everyone will benefit from a comprehensive oil law. And as we have in the past, we've urged them to get on with it."¹³ In addition, a March 7 letter from Senate Armed Services Committee chairman Carl Levin (D-Mich.) and senior committee member John Warner (R-Va.) to the U.S. Government Accountability Office requested a close examination of Iraq's past and projected oil revenues and their relation to the country's reconstruction in lieu of U.S. contributions of "taxpayer money" to the cause thus far.¹⁴

9. White House, Office of the Press Secretary, "Initial Benchmark Assessment Report," July 12, 2007. Available online (www.whitehouse.gov/news/releases/2007/07/20070712.html).

10. Steven Mufson, "Cheney and Kurds Meet about Oil," *Washington Post*, December 1, 2007.

11. Ibid.

12. "Remarks by Vice President Cheney and Prime Minister Maliki of Iraq in Photo Opportunity," Office of the Vice President, Baghdad, Iraq, March 17, 2008.

13. "Remarks by Vice President Cheney, General David Petraeus and Ambassador Ryan Crocker in Press Availability," Office of the Vice President, U.S. Embassy, Baghdad, Iraq, March 17, 2008. Available online (www.whitehouse.gov/news/releases/2008/03/20080317-6.html).

14. "Levin, Warner Ask GAO to Review Iraqi Oil Revenues and Reconstruction Funding," Congressional Press Releases, March 7, 2008.

Lowering the Temperature, Moving Forward

The United States is eager to speed up Iraq's oil exports and reduce tension among its political factions, making resolution of the oil issue doubly important. Additionally, oil production sufficient to meet the daily energy needs of the Iraqi population and contribute significant revenues to the federal budget would serve to grant much-needed political legitimacy to the Baghdad government.

U.S. officials see Oil Minister Shahrستاني and many oil advisors in the Iraqi federal government as having acted in a high-handed manner with the KRG. They also complain that the MoO's slow development contrasts poorly with the energetic pace set by Kurdish oilmen.¹⁵ At the same time, U.S. officials are, as noted, unhappy with the KRG's bold and unilateral actions.

Obvious political problems exist with the KRG and Baghdad each unilaterally signing contracts while accusing the other of working against the good of the country. Nevertheless, the KRG actions of late 2007 arguably have been instrumental in getting the MoO to finally act more expeditiously, issuing a call for development contracts from IOCs at the beginning of 2007. Not surprisingly, the response came largely from major IOCs, including BP, Shell, ExxonMobil, Chevron, and

Total through the early spring months, followed by multiple rounds of talks aimed at concluding technical support agreements.¹⁶ With oil production finally reaching prewar levels of about 2.3 million barrels per day in the first half of 2008, Minister Shahrستاني hopes to increase that number by 500,000 barrels per day in the next year.¹⁷

Adding to these central developments is the continued progress of Baghdad-KRG discussions on reviving the initial version of the hydrocarbons law from February 2007, which began in spring 2008. The major difference this time, for the Kurdish proposal, is the comprehensive inclusion of an oil law, a revenue-sharing law, an Iraqi Ministry of Oil, and an Iraqi National Oil Company in one package, leaving no issues open for manipulation down the road.¹⁸ Although both sides have been tentative and cautious, the fact that they have initiated and continued a conversation on this issue is noteworthy and hints that Minister Shahrستاني's projection of 6 million barrels per day within a decade may not be so far from reach after all. Such developments notwithstanding, given the rocky course of the Iraqi oil debate thus far, the KRG would be better served—and KRG-Baghdad relations would be much better in the near term—if the KRG were to take a less-provocative attitude on the oil issue.

15. Michael O'Hanlon and Omar Taspinar, "Time for Kurdish Realism," *Washington Post*, February 9, 2008.

16. "Baghdad Lays Down the Law on KRG Contracts," *Middle East Economic Survey* 51, no. 1 (January 7, 2008) p. 3.

17. "Iraq to 'Fast Track' Oil Bids," UPI Energy, April 29, 2008; Ruba Husari, "Iraq, Oil Majors Conclude Support Talks," *International Oil Daily*, May 13, 2008.

18. "Kurdistan PM Barzani Says Oil Talks with Baghdad to Continue," Dow Jones, June 4, 2008. Available online (www.iraqudates.com/p_articles.php/article/31994).

Implications and Recommendations for U.S. Policy

THE KRG'S CURRENT SITUATION provides the United States with significant leverage in pursuing its main policy interests in Iraq and beyond.

Reform

Given the KRG's tenuous record on human rights and individual freedoms, Washington might consider pressing its leaders toward reforms in these areas, while taking care not to upset the region's internal stability.

Economic Growth

The KRG is not developing at nearly the rate it should be. In this regard, the United States should consider promoting a comprehensive development strategy that includes supporting essential infrastructure and private, job-creating enterprises; fighting corruption and nepotism; reducing the public sector; and creating more attractive terms and conditions for U.S. and other investors.

Relations with Iraqi Arabs

The Iraqi Kurds seem worried that the honeymoon they enjoyed with the United States between 2002 and 2006 is ending. Washington's new working relationships with Sunni and Shiite Arabs in Iraq are the driving force behind the KRG's evolving view of its neighborhood. Specifically, the Iraqi Kurdish leadership believes that the United States may not offer them unconditional support against the Arabs—who are now forming ad hoc parliamentary coalitions to block the Kurds on issues such as the future of Kirkuk and the hydrocarbons law. Accordingly, the KRG may be moved to compromise on these key issues.

Improving Ties with Turkey

If the United States could help the KRG and Turkey find a framework for dealing with the PKK problem, fertile ground exists for cooperation between the two

neighbors, including on oil deals. Such an arrangement might entail the KRG's recognizing the PKK as a terrorist group and sealing off its northern Iraqi enclave. These steps would bring the KRG on board with the United States and Turkey against the PKK, as was the case in the 1990s. Such a realignment on the PKK issue would also alleviate investors' fears of a Turkish incursion as well as connect the KRG to global markets via Istanbul, attracting much-needed foreign direct investment to the area. In addition, it would remove a contentious issue in U.S.-KRG relations and pave the way for Ankara to pursue political, economic, and social measures on the Kurdish issue. For the time being, however, the KRG will likely continue to weigh carefully its dealings with Turkey, which is, after all, an outside power. And the relatively small Turkish investment in the KRG—far from the supposed \$3 billion wrongly estimated by some observers—will decrease Turkey's leverage against the KRG.

Love-Hate Relationship with Iran

Despite its dislike and fear of Iran, the KRG senses that it cannot do without Tehran. Hence, it seems to be complacent about many of the Iran-related issues that concern Washington and others. The KRG's leaders, especially within the PUK, are hesitant to rock the boat with Tehran, creating further challenges for U.S. policy toward Iran. For example, the KRG could become one of Iran's main back doors into Iraq. Anecdotal evidence at the least suggests that Iranian operatives have been granted open access to KRG territory.¹

U.S. Leverage

Kurdish independence is an unlikely scenario at the moment—the KRG is too financially dependent on Baghdad to go its own way. This situation represents an important U.S. lever over the Iraqi Kurds on many issues that await resolution in 2008, from Kirkuk and the PKK to oil legislation.

1. On February 25, 2008, in a restaurant in Irbil, the authors identified what appeared to be Iranian military intelligence officers having lunch, apparently at ease in their surroundings.

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