



The Kurds in Post-Saddam Iraq

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Summary

The Kurdish-inhabited region of northern Iraq has been relatively peaceful and prosperous since the fall of Saddam Hussein. However, the Iraqi Kurds' political autonomy, and territorial and economic demands, have caused friction with Christian and other minorities in the north, with Prime Minister Nuri al-Maliki and other Arab leaders of Iraq, and with neighboring Turkey and Iran. Despite limited agreements allowing for new oil exports from the Kurdish region, the major outstanding issues between the Kurds and the central government do not appear close to resolution. Tensions have increased now that Kurdish representation in two key mixed provinces has been reduced by the January 31, 2009 provincial elections. Some predict the disputes could erupt into all out violence between Kurdish militias and central government forces, potentially undermining the stability achieved throughout Iraq in 2008.

The Obama Administration has not, to date, indicated that the Kurdish-central government disputes would derail or delay a major drawdown of U.S. forces in Iraq between now and August 2010. However, many Kurds believe that the drawdown will reduce the U.S. political influence over the Kurds and the central government that is needed to contain these disputes.

At the same time that it is at odds with the central government, the Kurdish region itself is in political ferment. One of the major factions, the Patriotic Union of Kurdistan, has seen many senior members resign and there is popular grumbling about the purported stranglehold that the major Kurdish parties have over politics and the economy of the Kurdish region.

For more on Iraq, see CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*, by Kenneth Katzman.

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Pre-War Background

The Kurds, a mountain-dwelling Indo-European people, comprise the fourth largest ethnic group in the Middle East, but they have never obtained statehood. The World War I peace settlement and subsequent Treaty of Sevres (1920) raised hopes of Kurdish independence, but under a subsequent treaty (Treaty of Lausanne, 1923) they were given minority status in their respective countries—Turkey, Iran, Iraq, and Syria—with smaller enclaves elsewhere in the region. (See dark gray area of map.) Kurds region-wide number between 20 and 25 million, with an estimated 4 to 4.5 million in Iraq, roughly 15 to 20 percent of the Iraqi population. Most are Sunni Muslims and their language is akin to Persian; Kurds celebrate the Persian new year (Nowruz) each March 21. Even before the fall of Saddam Hussein, Kurds have had more national rights in Iraq than in any other host country; prior Iraqi governments have allowed some Kurdish language use in elementary education (1931), recognized a Kurdish nationality (1958), and implemented limited Kurdish autonomy (1974, with Iraq under Baath Party rule).

For the three decades that preceded the U.S.-led expulsion of Iraqi forces from Kuwait in 1991, an intermittent insurgency by Iraqi Kurdish militia (“*peshmerga*”) faced increasing suppression, particularly by Saddam Hussein’s regime. Kurdish dissidence in Iraq was initially led by the Barzani clan, headed by the late storied chieftain Mulla Mustafa Barzani, who founded the Kurdish Democratic Party (KDP) after World War II. He rejected Baghdad’s Kurdish autonomy plan in 1974,¹ but his renewed revolt collapsed in 1975 when Iran, then led by the Shah, stopped supporting it under a U.S.-supported “Algiers Accord” with Iraq. Barzani, granted asylum in the United States, died in 1979, and KDP leadership passed to his son, Masoud.

Years earlier, a younger, more urban and left-leaning group under Jalal Talabani emerged; it broke with Barzani in 1964 and, in 1975, became the rival Patriotic Union of Kurdistan (PUK). The KDP and the PUK remain dominant among Iraqi Kurds; their differences have centered on leadership, control over revenue, and the degree to which to accommodate Baghdad. The KDP, generally traditional, is strong in the tribal, mountainous northern Kurdish areas, bordering Turkey, whereas the PUK is strong in southern Kurdish areas, bordering Iran.

During the first few years of the 1980-1988 Iraq-Iran war, the Iraqi government tried to accommodate the Kurds in order to persuade them not to assist Tehran. In 1984, the PUK agreed to cease fighting Baghdad, but the KDP remained in rebellion. Iraqi forces launched at least two lethal gas attacks against Kurdish targets in 1988, including at the town of Halabja (March 16, 1988, about 5,000 killed). Iraq claimed the chemical attacks were responses to Iranian incursions. During 1987-1989, the height of the Iran-Iraq war and its immediate aftermath, Iraq tried to set up a “cordon sanitaire” along the border with Iran, and it reportedly forced Kurds in many border villages to leave their homes in a so-called “Anfal (Spoils) campaign.” Some organizations, including Human Rights Watch, say the campaign killed as many as 100,000 Kurds.

During the 1990s, U.S.-led containment of Iraq following the invasion of Kuwait paved the way for substantial Kurdish autonomy. After Iraqi forces suppressed an initial post-war Kurdish uprising, U.S. and allied forces in mid-1991 instituted a “no-fly zone” over the Kurdish areas,

¹ The government’s so-called Law of Self-Rule (No. 33 of 1974) provided for limited governing institutions in some Kurdish regions but failed to garner widespread Kurdish support.

protecting the Kurds from Iraqi forces. Later in 1991, Kurdish leaders joined the Iraqi National Congress (INC), a U.S.-backed opposition group, and allowed it to operate from Iraqi Kurdish territory. The Iraqi Kurds set up an administration in their enclave and held elections for a 105-member provisional parliament in 1992. The KDP and the PUK each gained 50 seats; another five went to Christian groups (most of Iraq's 900,000 person Christian community resides in northern Iraq or in Baghdad). Without a clear winner in the concurrent presidential election, the two main factions agreed to joint rule. In October 1992, the Kurdish parliament called for "the creation of a Federated State of Kurdistan in the liberated part of the country" but added that the Kurds remained committed to Iraq's territorial integrity. This caveat did not allay fears among Iraq's Arab leaders that the Kurds would drive for full independence; a concern shared by neighboring states with large Kurdish populations (Turkey, Iran, and Syria).

In early 1994, the uneasy KDP-PUK power-sharing collapsed into armed clashes over territorial control and joint revenues. The nadir in PUK-KDP relations occurred in mid-1996, when the KDP enlisted Saddam's regime to help it seize Irbil, the seat of the regional Kurdish government, which the PUK had captured in 1994. The Kurdish regional authority effectively split into KDP and PUK entities. However, the United States spearheaded negotiations that culminated in a September 1998 "Washington Declaration" between the two parties. It was endorsed when the Kurdish parliament reconvened on October 5, 2002, by which time the Kurds and other oppositionists were preparing for a likely U.S. war to overthrow Saddam Hussein. In February 2003, opposition groups met in Kurdish-controlled territory to prepare for post-Saddam Iraq, but these groups were disappointed by a U.S. decision to set up a post-Saddam occupation authority rather than immediately turn over governance to Iraqis. Some Bush Administration officials have attributed the post-Saddam insurgency and instability to this decision.

Post-Saddam Period/The Kurdistan Regional Government (KRG)

There was virtually no combat in northern Iraq during Operation Iraqi Freedom (OIF), the U.S.-led war that began on March 19, 2003 and toppled Saddam Hussein's regime by April 9, 2003. Turkey did not agree to host U.S. invasion forces prior to the start of the war, and U.S. forces moved up from Kuwait through southern Iraq, and not down from the north.

The Kurds entered post-Saddam national politics on an equal footing with Iraq's Arabs for the first time ever by participating in a U.S.-led occupation administration (Coalition Provisional Authority, CPA). Holding seats on a 25-person advisory "Iraq Governing Council (IGC)," appointed in July 2003, were Barzani, Talabani, and three independent Kurds. In the transition government that assumed sovereignty on June 28, 2004, a top Barzani aide, Hoshiyar Zebari, became Foreign Minister (over the objection of many Arab Iraqi figures).

This government operated under a March 8, 2004 "Transitional Administrative Law" (TAL)—a provisional constitution that laid out a political transition process and preserved the Kurds's autonomous "Kurdistan Regional Government" (KRG) and its power to alter the application of some national laws. Another TAL provision allowed the Kurds to continue to field their militia, the *peshmerga* ("those who face death"), now numbering 75,000-110,000.

The TAL did not give the Kurds control of Kirkuk (Tamim province),² instead setting up a process to allow Kurds expelled from Kirkuk by Saddam to reclaim their homes. Despite opposition from Iraq's Arab leaders, the Kurds succeeded in inserting a provision into the TAL that allowed any three provinces to vote down, by a two-thirds majority, a permanent constitution. The Kurds constitute a majority in Dohuk, Irbil, and Sulaymaniyah provinces, assuring them of veto power. The Kurds supported the constitution in the October 15, 2005 referendum because the constitution, as discussed below, met most of their most significant demands.

The constitution³ not only retained substantial Kurdish autonomy but also included the Kurds insistence on "federalism"—de-facto or formal creation of "regions," each with its own regional government. The constitution recognizes the three Kurdish provinces of Dohuk, Irbil, and Sulaymaniyah as a legal "region" (Article 113) — the Kurdistan Regional Government (KRG)—with the power to amend the application of national laws not specifically under national government purview; to maintain internal security forces; and to establish embassies abroad (Article 117). Arabic and Kurdish are official languages (Article 4). In September 2007, the Senate endorsed the federalism concept for Iraq in an amendment to the FY2008 defense authorization bill (P.L. 110-181).

The Kurdish region fully participated in the Iraqi elections in 2005—including the provincial elections and for the Kurdistan National Assembly (KNA) held, along with Iraqi national elections (for an interim government), on January 30, 2005. As noted below, the provincial elections in the Kurdish region were postponed. After the 2005 KNA elections, on June 12, 2005, the Kurdistan National Assembly (KNA, the separate parliament of the Kurdistan Regional Government) named Barzani "President of Kurdistan." This reflected Barzani's strategy of shoring up his regional base in the north rather than focusing on central government politics.

The "prime minister" of the KRG is Masoud's 50 year old nephew, Nechirvan (son of the Kurdish guerrilla commander Idris, who was killed in battle against Iraqi forces in 1987). Nechirvan was slated to be replaced in early 2008 by a PUK official (Kosrat Rasoul), but the parties agreed to extend Nechirvan's term—in part because of Rasoul's health. Nechirvan remains in that position, in part because turmoil within the PUK—several top leaders resigned in March 2009—has hindered the PUK's ability to reach consensus on a PUK replacement for Nechirvan.

The *peshmerga* primarily remain in Kurdish areas to protect Kurdish inhabitants there, but some have joined the Iraqi Security Forces (ISF) and have served mostly in Arab northern cities such as Mosul and Tal Affar but also in Sunni areas, in the Baghdad "troop surge," and in the March 2008 crackdown on Shiite militias in Basra. On May 30, 2007, formal security control over the three KRG provinces were handed from the U.S.-led coalition in Iraq to mostly Kurdish ISF units.

Upcoming KRG Elections

The KRG is scheduled to hold KNA elections on July 25, 2009. The newly elected KNA will then determine a KRG President and governing team. Many believe it is likely that these elections will result in Masoud Barzani's continuation in that role. However, because there has not been an agreement on the Kirkuk issue, the July 25 vote will not include provincial elections

² The text of the TAL can be obtained from the CPA website: <http://cpa-iraq.org/government/TAL.html>.

³ The text of the constitution is at <http://www.washingtonpost.com/wp-dyn/content/article/2005/10/12/AR2005101201450.html>.

in Kirkuk or the three KRG provinces, and no date is set for those. At some point, there are also expected to be elections on a KRG regional constitution. In the KNA elections, voters will choose from among the 42 political parties that have registered to run; they will not vote for individual candidates. The winning parties will then determine who among their candidate lists will take the 111 seats in the KNA.

Major Issues Between Baghdad and the Kurds

The constitution and post-Saddam politics—coupled with the Kurdish leaders' close relations with the United States—gave the Kurds political strength to the point where Iraqi minorities in the north, Iraq's neighbors, and Iraq's Arab leaders perceive the Kurds as asserting excessive demands and threatening Iraq's integrity. For their part, the Kurds believe that the strengthening central government is not living up to the promise of the post-Saddam era to build a diverse, multi-ethnic democracy that allows the Kurds full rights and redresses the perceived abuses of the Saddam era. The Bush Administration sought to acknowledge the Kurds' cooperation with U.S. policy while curbing the Kurds' demands enough to mollify the Kurds' opponents and prevent any explosion of violence in the north. President Obama has not made official comments, to date, specifically on the Iraqi Kurds, although some Kurdish officials are concerned about his plan, announced February 27, 2009, to draw-down U.S. combat troops by August 2010. The Kurds fear this draw-down represents waning U.S. interest in Iraq and will reduce the U.S. ability to restrain the growing manifestations of Iraqi Arab nationalism.

Participation in the Central Government

In the first five years after the fall of Saddam Hussein, the Kurds generally, but the PUK more so, viewed participation in post-Saddam politics in Baghdad as enhancing Kurdish interests. The KDP and PUK allied in the two national elections in 2005. In the January 30, 2005, elections, their Alliance won about 26% of the vote, earning 75 National Assembly seats out of 275; and it won 82 seats in the 111-seat Kurdish regional assembly. Partly on that strength, Talabani became President of Iraq. Because of a boycott of those elections by most Sunni Arabs, the Kurds also won control of the provincial council of Nineveh Province, which is mostly Arab inhabited, and had a strong presence on the council of the mostly Arab province of Diyala as well.

The Kurdistan Alliance showing in the December 2005 elections for a full term government was not as strong (53 seats), largely because Sunni Arabs participated in the elections. In the four year government selected in April–May 2006, Talabani remained President; Zebari stayed Foreign Minister, and a top Talabani aide, Barham Salih (“Prime Minister” of the Kurdish region before Saddam's ouster) became one of two deputy prime ministers.

Budgetary issues have been somewhat contentious recently. In the 2008 Iraqi budget deliberations (adopted February 13, 2008), Iraq's Arab leaders tried but did not succeed in efforts to cut the revenue share for the Kurds from 17% of total government revenue to 13%. The Kurds did agree to abide by a revenue share determined by a census that is to be held. The Kurds want the *peshmerga*'s salaries to be paid out of national revenues. It is not clear whether or not the constitution permits the KRG to buy weapons from foreign or other sources, for the *peshmerga*. However, the central government expressed “no objection” to a reported KRG purchase of guns

and ammunition from Bulgaria in November 2008. The weapons were flown into KRG-controlled territory by C-130.⁴

Political Orientation of the Kurds

During 2003-2008, the Kurdish parties were generally aligned politically with the mainstream Shiite Islamist parties of Prime Minister Nuri Maliki (Da'wa Party) and his ally, the Islamic Supreme Council of Iraq (ISCI), led by Abd al-Aziz al-Hakim. The support of the Kurds helped Maliki survive several political challenges not only from Sunni Arab factions but also from within his own Shiite community, particularly that posed by radical young cleric Moqtada al Sadr. The Kurds supported Maliki's decision to confront Sadr's militia in Basra in March 2008, which the Kurds said demonstrated Maliki's increasing even-handedness.

By the end of 2008, the Kurds had begun to break with Maliki because of his failure to accede to their demands on some major issues that are discussed in subsequent sections of this paper. The deterioration in the relationship had become so pronounced that KRG President Barzani appeared on a local television program in November 2008 accusing Maliki of trying to monopolize power. Maliki responded on November 20, 2008 by saying the Kurds were pursuing "unconstitutional" policies, such as deploying *peshmerga* outside the KRG region and opening representative offices in foreign countries. Press reports in late 2008 said the Kurds explored discussions with other factions to possibly call for a vote of no-confidence against Maliki.⁵ Relations have worsened somewhat following political developments in disputed Nineveh Province, as discussed below.

The Kurds might pull further away from their alliances with the Arab parties when the next central government is chosen in 2010, which will follow Iraq's Council of Representatives (COR) elections set to be held on January 30, 2010. On March 15, 2009, Talabani said he would not be available to continue as President in the next full term government. That is likely to set off a political scramble by Sunni Arabs to claim that post for one of their own, even though most executive power is vested in the Prime Ministership.

The Independence Question

The question of outright Kurdish independence is not an active source of friction between the Iraqi Kurds and the central government at this time, but it remains a concern of Iraq's neighbors that have Kurdish minorities. The top Kurdish leaders—possibly at odds with mainstream Kurdish opinion—have said that they would not push for outright independence. This is perhaps because doing so is likely to be vehemently opposed—possibly to the point of armed conflict—by Turkey, Iran, Syria, and Arab Iraq. However, there is concern among these outside parties that younger Kurds who will eventually lead the KRG might ultimately seek independence.

⁴ Londono, Ernesto. "Kurds in N. Iraq Receive Arms From Bulgaria." *Washington Post*, November 23, 2008.

⁵ Arraf, Jane. "The Iraqi Premier Is Increasingly At Risk As Cracks in His Shiite-Kurdish Coalition Grow in the Waning Days of the Bush Administration, His Other Main Ally." *Christian Science Monitor*, December 11, 2008.

Kirkuk, Disputed Territories, and Minorities in the North

The Iraqi Kurds' vocal and consistent insistence that Kirkuk/Tamim and some cities in Diyala and Nineveh provinces be integrated into the KRG is a primary source of tension with the Maliki government and with minorities in the north, particularly the Christians, Turkomans, and Yazidis. The Kirkuk issue is considered "existential" not only by the Kurds, but by Turkey, which fears that KRG integration of Kirkuk would propel a Kurdish drive for independence. Kirkuk sits on 10% of Iraq's overall oil reserves of about 112 billion barrels. Turkey also sees itself as protector of the Turkoman minority in Kirkuk and environs.

At Kurdish insistence, the constitution reaffirmed the process of resettling Kurds displaced from Kirkuk and stipulated the holding of a referendum (by December 31, 2007—"Article 140 process"), to determine whether its citizens want to formally join the KRG region. Anticipating such a referendum, the Kurds—reportedly using their intelligence service the *Asayesh*—reportedly have been trying to strengthen their position in Kirkuk by pressuring the city's Arabs, both Sunni and Shiite, and Turkomans to leave. In 2008, the Kurds grudgingly accepted Bush Administration urgings to accede to a delay of the referendum in favor of a temporary compromise under which the U.N. Assistance Mission-Iraq (UNAMI) is analyzing, reporting on, and making recommendations on Kirkuk and on whether to integrate some Kurdish-inhabited cities in Diyala and Nineveh provinces into the KRG. The U.S. strategy has been to convince the Kurds that this gradual process might eventually gain the Kurds control of Kirkuk, and that belief, in and of itself, is perceived as ensuring that the tensions over the issue do not erupt into major violence. The major cities in Diyala and Nineveh that UNAMI has been studying include: Khanaqin, Sinjar, Makhmour, Akre, Hamdaniya, Tal Afar, Tilkaif, Mandali, and Shekhan. A June 2008 report UNAMI leaned toward the Kurds on some of these territories, but with keeping other territories, such as Hamdaniya and Mandali, as part of central government controlled Iraq.

The disputed territories have been a major contributor to the growing rift between Maliki and the Kurds. During August 2008, tensions erupted over the central government's attempt to gain control of Khanaqin, in Diyala Province. Armed clashes were avoided by a U.S. military-brokered compromise under which the *peshmerga* stayed in control of Khanaqin. The Kurds also strongly opposed Maliki's efforts to form and place under government control "tribal support councils" in and near the disputed territories. This effort, which the Kurds view as an effort by Maliki to prevent the movement of more Kurds into these territories, was the basis of Masoud Barzani's November 2008 assertion of a Maliki "power grab."

The North, Kirkuk, and the January 31, 2009 Provincial Elections

The tensions over Kirkuk delayed agreement on an election law needed to hold the January 31, 2009 provincial elections. U.S. officials viewed those elections as crucial to better integrating Sunni Arabs and the Sadr faction into the post-Saddam political structure. The Kurds firmly opposed any provincial elections in Kirkuk until its status is resolved. President Talabani vetoed a July 22, 2008 COR-passed election law, on the grounds that it provided for, as an interim arrangement pending Kirkuk provincial elections, for an equal division of power in the Kirkuk provincial administration and council (between Kurds, Arabs, and Turkomans), and for replacement of the *peshmerga* with the ISF in the province. The COR and the major blocs did not find a formula acceptable to all sides before the COR adjourned for summer recess on August 6, 2008.

UNAMI broke the logjam by announcing on August 20, 2008 that it would propose, by late October 2008, a “grand deal” on Kirkuk and other disputed territories, to be ratified by a “yes/no” referendum (which presumably would satisfy the referendum requirement in the Iraqi constitution). An election law was finally passed on September 24, 2008 (unanimously by 190 COR deputies voting) under a compromise that provided for: postponement of provincial elections in Kirkuk and the KRG provinces; the remaining fourteen provinces to hold their elections on January 31, 2009; no reduction of Kurdish power on the existing Kirkuk provincial council; an election law, to be considered later, to provide for provincial elections in Kirkuk; and, the overall Kirkuk dispute to be put to a COR committee—composed of 2 Kurds, 2 Turkomans, 2 Arabs, and 1 Christian—to report its recommendations by March 31, 2009. It is assumed that this COR committee will receive assistance from UNAMI which, as noted above, has been assessing possible methods to resolve the dispute over Kirkuk and the other territories at issue. UNAMI circulated this report in late April 2009, and reportedly it recommends a form of joint Baghdad-KRG administration of Kirkuk. However, it does not appear, to date, that this proposal has satisfied all parties to the point where the Kirkuk status issue is close to resolution. (The COR report was not issued on March 31, 2009 and the release date is not known.)

At the same time, Iraqi minorities in northern Iraq are increasingly fearful of their status as tensions increase between Baghdad and the Kurds. A provision was stripped out of the July 2008 provincial elections law that would have allotted 13 reserved provincial council seats (spanning six provinces, including Baghdad)—out of 440 seats to be voted on nationwide—for Christians, Yazidis, Sabians, and the Shabek minority. These minorities, as well as Arabs in the north, fear that the Kurds are trying to push them out of the area in order to monopolize power in the north and gain control of the disputed territories. Subsequent to the passage of the election law, Christians in Mosul protested the law and began to be subjected to assassinations and other attacks by unknown sources, possibly Al Qaeda in Iraq. About 1,000 Christian families reportedly fled the province in October 2008, reportedly have returned—although they remain fearful and wary—after a new law was passed on November 3, 2008 giving these minorities six reserved provincial council seats—one each for Christians in Baghdad, Nineveh, and Basra provinces, and one seat each for a Yazidi, a Sabian, and a Shabak, in various provinces. These minorities asked for the new law to be overturned on the grounds that they remain underrepresented, but that demand was not met.

Implications of the Provincial Election Results

The differences between the Kurds and the central government have only widened, not narrowed, as a result of the January 31, 2009 provincial elections. Because Sunni Arabs fully participated in these elections, the Kurdish influence in the two provinces of Nineveh and Diyala—the location of several disputed territories—was sharply reduced. In Nineveh province, the Kurds have lost control of the 37 seat provincial council and provincial administration to a Sunni Arab slate called Al Hadba’a, which campaigned on a platform of reducing Kurdish influence in the province and refusing to compromise on disputed territories located in Nineveh. Al Hadba’a won 19 out of the 37 seats of the provincial council, and one of its members, Atheel al-Nujaifi, is now governor of the province. Since the accession of Nujaifi, clashes have nearly erupted as *peshmerga* have physically prevented Nujaifi and other provincial officials from entering Kurdish-inhabited parts of Nineveh province.

In Diyala Province, the Kurdistan Alliance fared better than it did in Nineveh. It came in third, but with only 6 seats out of the 29 on the provincial council there. The mainstream Sunni Arab bloc called the Accord Front (“Tawafuq”), took the first position with 9 seats. The Accord Front is

now running that province in alliance with the Kurds and the mainstream Shiite party Islamic Supreme Council of Iraq (ISCI). The Kurds' subordinate position in the Diyala provincial administration weakens the Kurds' ability to assert political control over Kurdish-inhabited towns in the province, such as Khanaqin.

In addition, the strong showing of Maliki's list has given him new legitimacy and confidence. He has, since the election, appointed military leaders in Kirkuk and other parts of northern Iraq that perceive their mission as pushing Kurdish *peshmerga* forces further north and out of Arab areas.

Control Over Oil Resources/Oil Laws

Control over oil revenues and new exploration is another hotly debated issue. At the very least, the Kurds want to ensure they receive their share of revenues from energy production in the KRG region and to manage new energy investment. Some suspect that the Kurds want to control their own oil reserves in order to ensure they have the economic resources to support a future drive for outright independence. On the other hand, according to energy observers, the Kurds are dependent on the central government to be able to exploit its energy resources because oil exports need to flow through the national oil pipeline grid.

Iraq's cabinet approved a draft version of a national hydrocarbon framework law in February 2007, but Kurdish officials withdrew support from a revised version passed by the Iraqi cabinet in July 2007 on the grounds that it would centralize control over oil development and administration. In June 2008, Baghdad and the KRG formed a panel to try to achieve compromise on the national framework oil law, and the U.S. Embassy stated in August 2008 that an agreement might be near on a revenue sharing law. An earlier draft of that law would empower the federal government to collect oil and gas revenue, and reserve 17% of oil revenues for the KRG. However, U.S. officials now appear to have concluded that the various sides are so far apart that a national package of oil laws is unlikely.

Despite the lack of comprehensive agreement, the KRG has moved forward in developing its energy sector. The KRG has signed numerous development deals with foreign firms under its own oil law adopted in August 2007, even though Iraq's Oil Minister Hussein Shahrastani has called these deals "illegal." Deals so far are with: Genel (Turkey), Hunt Oil (U.S.), Dana Gas (UAE), BP (Britain), DNO Asa (Norway), OMV (Austria), SK (South Korea), Talisman (Canada), Addax (Switzerland) and several others.⁶ The Hunt Oil deal attracted controversy because of the firms' leaders' ties to Bush Administration officials and the perception that it contradicted the U.S. commitment to the primacy of the central government. It is not clear whether the Bush Administration tacitly blessed the Hunt deal.

In December 2008, Baghdad agreed to link two northern oil fields (in KRG territory) to Iraq's main oil export pipeline that lets out in Turkey. Further progress came in May 2009 when the KRG and Baghdad agreed to allow the KRG to begin exporting oil from its Taq Taq field (40,000 barrels per day initially, but likely to rise to 250,000 barrels per day by 2010) through the national oil grid. Under the agreement, the KRG receives 17% of the revenue earned from the exportation—the same revenue sharing formula now used for allocated national revenues.

⁶ Fact sheets on energy deals signed with foreign firms can be found at:
<http://www.krg.org/articles/detail.asp?nr=148&lngnr=12&smap=03011100&anr=18695>

Observers believe that Baghdad agreed to this exportation now in order to earn extra revenues to compensate for the dramatic fall in oil prices since July 2008.

KRG Revenue Distribution/Corruption Issues

The signing of energy deals between the KRG and foreign energy firms raises questions about how the KRG's resources are used. Observers from the region say that many Kurds resent the high degree of control of the KRG regional economy exercised by the two main Kurdish factions. According to these observers, the Barzani clan and Talabani clan, which control the KDP and PUK, respectively, have used their political positions to benefit financially, in turn using their financial clout to solidify political support. Some Kurds believe that there is little opportunity for independent or smaller Kurdish families to profit from entrepreneurship, because business and economics are heavily dominated by the Barzanis and the Talabanis.

PKK and Other Kurdish Militant Safehaven

Although Turkey has become substantially less concerned about Iraqi Kurdish autonomy over the past few years, Turkey closely watches and acts against the presence of the Turkish Kurdish opposition Kurdistan Workers' Party (PKK) in KRG-controlled territory. The accusation is leveled particularly at the KDP, whose strongholds border Turkey. The PKK—increasingly known by its alias Kongra Gel (KGK)—is named foreign terrorist organization (FTO) by the United States (under the Immigration and Naturalization Act). In the mid-1990s, Iraqi Kurds fought the PKK, but many Iraqi Kurds support the Turkish Kurdish struggle against Turkey. In June 2007, Turkey moved forces to the border after Barzani warned that Iraq's Kurds could conduct attacks in Turkey's Kurdish cities. On October 17, 2007 the Turkish government obtained parliamentary approval for a major incursion into northern Iraq, causing stepped up U.S. diplomacy to head off that threat. U.S. officials reportedly set up a center in Ankara to share intelligence with Turkey on PKK locations, contributing to Turkey's apparent decision to limit its intervention to air strikes and brief incursions.

A special envoy from Turkey and Masoud Barzani held talks on the issue in Baghdad in mid-October 2008—the first direct talks in four years. Further progress in reducing Iraqi Kurd—Turkey tensions was made during a visit to Baghdad by Turkey's President Abdullah Gul on March 23, 2009. He met during that visit not only with Talabani but also with KRG Prime Minister Nechirvan Barzani. This marked the first time a Turkish leader had met a KRG official.

The presence of another Kurdish militant group in KRG territory is also of growing concern not only to Turkey but to Iran as well. Iran and Turkey are aligned in criticizing Iraq's failure to curb the Party for a Free Life in Kurdistan (PJAK), an Iranian Kurdish splinter group of the PKK. PJAK has been staging incursions into Iran, according to U.S. officials. On February 4, 2009, the Treasury Department named PJAK a terrorism supporting entity under Executive Order 13224—which freezes any U.S. assets of the group—on the grounds that the PKK controls PJAK, selected its leader (Hajji Ahmad), and appointed its 40 person central committee.

Figure I. Kurdish Areas



Red denotes Kurdish area

Source: Map Resources. Adapted by CRS. 06/2009

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