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Reform, Not Violence, Will Ease Iraqi Kurdish Protests

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Brief Analysis

In addition to publicly condemning the violent repression of demonstrations, Washington should urge its Kurdish allies to stop stalling on economic reforms at home and budget negotiations with Baghdad.

Over the past week, protests against delayed salaries broke out in more than a dozen towns in Sulaymaniyah, an eastern border province in the Kurdistan Region of Iraq (KRI). So far, eight protestors have been shot and killed by security officers guarding party and government offices, and many other people have been wounded, including security personnel. In response, authorities shut down the opposition media network Nalia Radio and Television (NRT), limited local Internet access, imposed a curfew, and halted oil exports from the Gazprom-operated Sarqala field.

More violence is expected and may spread from Sulaymaniyah—controlled by the Patriotic Union of Kurdistan (PUK)—to Erbil and Duhok, which are controlled by the rival Kurdistan Democratic Party (KDP). That scenario could lead to a wider emergency, similar to what happened with protests in other parts of Iraq last year. Accordingly, KRI authorities need to stop muddling through the ongoing economic crisis.

Public Grievances

Sporadic protests have broken out in the KRI since 2017, sparked by chronically delayed government salaries. In a heavy-handed move to discourage such demonstrations, Kurdish authorities arrested 200 people between May and August of this year, including 100 civil servants and 8 journalists in Duhok. Authorities described these peaceful protestors—most of them teachers—as “rioters.”

At a December 9 press conference, Prime Minister Masrour Barzani called the latest demonstrations a “conspiracy against the KRI,” while other officials blamed Turkey’s outlawed Kurdistan Workers Party (PKK) for instigating the unrest. Soon afterward, security officials threatened residents against further protests.

Beset by depressed oil prices and economic mismanagement, the KRI has been unable to dispense full salaries and social service payments in a timely manner. So far this year, eligible residents have received only six of their monthly payments, with each check reduced by anywhere from 18 to 50 percent. The KRI's finances have also been hampered by its ongoing dispute with Baghdad **over budget and oil revenue sharing terms (https://www.washingtoninstitute.org/policy-analysis/view/shock-therapy-will-kill-not-cure-iraqi-kurdistans-economy)** . Despite publicly committing to make structural reforms that would lessen its crippling dependence on the federal government, the KRI has not done so, and its negotiations with Baghdad have failed to secure a sustainable deal.

All of these problems have been exacerbated by **infighting and patronage politics (https://www.washingtoninstitute.org/policy-analysis/view/divisions-in-iraqi-kurdistan-are-costing-the-united-states-a-reliable-partn)** among the KDP and PUK. The two parties have run the KRI since 1992, maintaining the bulk of their finances and military forces in separate zones outside government accountability. Although they helped forge a Kurdish petroleum industry that exports around 400,000 barrels of oil per day, they have also allowed the KRI's other economic institutions to lag behind, depriving citizens of much-needed financial stability and transparency. The government has hired people en masse and invented multiple layers of social entitlements, such that the number of residents who work for the KRI or rely on its benefits now stands at 1.27 million, or around a quarter of the entire population. This problem extends to the military as well—Deputy Prime Minister Qubad Talabani once quipped that Kurdish Peshmerga forces have more generals than the U.S. or Chinse militaries.

According to the KRI, its wage bill currently stands at $755 million per month, while its oil sales can bring in only $450 million. Because it has failed to develop alternative revenue streams, the KRI relies on cash transfers from Baghdad to make up the difference. Yet the federal government is itself under enormous public and financial pressure, making it more opposed than ever to supporting KRI finances unless the Kurds hand over some of their oil—a commitment they have repeatedly made but never fulfilled. Now that the KRI is unable to pay its bills at home, it has resorted to the untenable strategy of using violence and intimidation to silence public unhappiness.

The Limits of Muddling Through

The KRI is still reeling from a financial crisis that began in 2014 when global oil prices crashed, Baghdad cut off its budget transfers to the Kurds, and the Islamic State captured a third of Iraq. Some KRI leaders saw the crisis as an opportunity to reform their unsustainable economy, but the KDP and PUK ultimately opted for half-measures.

For instance, the KRI has taken out significant loans against its oil exports, incurring liabilities that it claims total $27 billion today. And last year, it struck a favorable budget deal with former Iraqi prime minister Adil Abdulmahdi, supporting his government in return for federal transfers of $268 million per month—without obligating the KRI to hand over oil or customs revenues. That deal has since come apart, and ongoing negotiations with new prime minister Mustafa al-Kadhimi have been fruitless.

Both the KRI and Baghdad seem to be negotiating in bad faith, repeatedly moving the goalposts to buy time until the other side is weaker. They also appear to be eyeing early 2021 elections as a potential escape hatch. Yet some of the KRI's accusations against federal authorities simply mask its own economic policy failures, giving politicians in Baghdad more fuel to accuse the Kurds of taking more than their fair share of national revenues.

Indeed, by resisting serious reform, the KDP and PUK have failed to root out corruption and economic mismanagement at home. To allay these problems, both parties need to stop the blame game and urgently focus on concrete changes, from scrubbing government rolls of double-dippers and "ghost" employees (which by some estimates stand at 200,000 or more), to ending the practice wherein party operatives demand a 30-50 percent stake in any partnership with private-sector firms

The long-running complacency toward reform has been exacerbated by the KDP and PUK's successful subversion and cooptation of opposition parties. Apart from a handful of vocal Kurdish members in the national parliament, these factions are now largely limited to airing criticisms on social media.

Kurdish authorities have even played foreign actors against each other, pressing Washington and Iran to intervene on their behalf in Baghdad. Above all, they have prioritized efforts to safeguard their petroleum industry from federal eyes—aided by their special status in Turkey, the main patron of KRI oil exports.

Yet all of these strategies have finally and disastrously run their course. Unlike Iraqi national politics, where the locus of accountability can be elusive, there is a clear return address for government suppression and violence in the KRI—namely, the PUK leadership in Sulaymaniyah, and the KDP leadership in Erbil and Duhok. For now, the protests are primarily about salaries, not about toppling the KDP or PUK from power. Neither party can credibly pin public anger about a bread-and-butter issue—one felt in most every household—on opposition factions, foreign agendas, "fifth columns," or other canned conspiracies. As KRI officials are no doubt aware, however, last year's protests in other parts of Iraq likewise began with grievances over jobs, then quickly expanded in the face of brute violence by government and militia forces, culminating in mass demands for broad political reform and new leadership.

Policy Implications

In theory, the KRI's usual tools—public messaging, security measures, and a delegation dispatched quickly to Baghdad—could buy some time against the current round of protests. Yet given its untenable governance deficit, the KRI cannot afford to bury its head in the sand any longer. Instead, it needs to produce and present to its public a credible way out of the financial crisis, and do more to strike a viable deal with Baghdad. There are voices for reform in the Kurdish leadership, but they need more backing from those officials who wield power. The public and private sector alike can help incentivize the KRI to stop being just a salary cash machine and reassume its role as the engine for economic recovery (e.g., see the November 23-24 virtual conference **(https://www.uschamber.com/live-event-experience/158973)** held by the U.S. Chamber of Commerce, where Kurdish officials engaged with representatives from American companies and the U.S. government).

Moreover, all parties need to recognize that Washington cannot save the KRI from its self-made troubles. Although many U.S. officials prefer to shy away from publicly criticizing their Kurdish friends, silence at this moment would be destructive. Instead, Washington should stand with the demands of the Kurdish people for an accountable, transparent, and responsive economic system. Most important, U.S. officials should clearly and publicly denounce any KRI violence against protestors. Such messaging could go a long way toward holding off further violence and discouraging diversionary tactics (e.g., another ill-advised KRI independence referendum **(https://www.washingtoninstitute.org/policy-analysis/view/after-the-kurdish-referendum-regional-implications)**). Silence, however, would be interpreted as U.S. acquiescence.

Regarding KRI-Baghdad disputes over oil and financial matters, Washington refuses to assume its old role of mediating negotiations, but it can still nudge both parties toward productive compromises in the 2021 budget discussions. Technical assistance with auditing their opaque financial systems is a good starting point.

For now, though, the KRI is on a fiscal cliff and cannot afford to wait for Baghdad to be friendlier or for oil prices to recover. Its very survival is indeed at risk—and not from the protests.

Bilal Wahab is the Wagner Fellow at The Washington Institute. ❖

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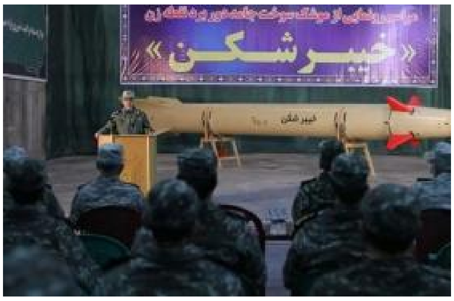

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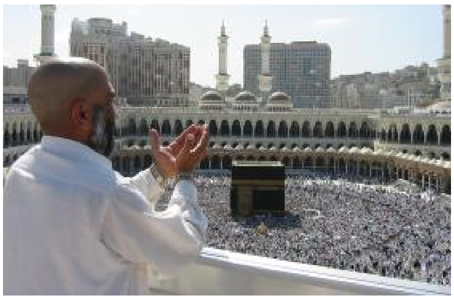

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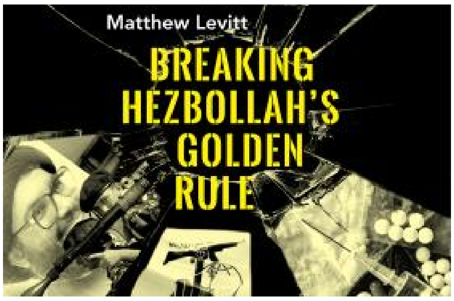

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