Oil and the Constitution: Kurdistan vs. Baghdad

Jan 3, 2018
Also available in
العربية (/ar/policy-analysis/alnft-waldstwr-krdstan-ddw-bghdad)

Brief Analysis

January 03, 2018

There is an argument that natural resource abundance is associated with slow growth, greater inequality, and poverty for a majority of a country's population. Therefore, natural resource wealth has a two-way path: it can lead to economic growth and development, or it can drop the country into a pitfall, known as a 'resource curse'. Which path a country will follow relies on the historical, cultural, ethnic, economic, and institutional development before and after resource exploitation. To live blissfully, such natural resources should be regulated in a legal framework, especially when the country consists of many diverse communities, as is the case in Iraq.

Iraq in Saddam's time was known for having a strong central government. The government in Baghdad would dispute the existence of a specific sect's culture and identity in favor of another, which sowed serious distrust by Iraqi Kurds toward Iraqi Arabs, given Saddam's past practices. In the name of a unified and strong Iraq, Saddam carried out bloody and often deadly campaigns of oppression against various Iraqi sects.

With the help of the U.S. government in 2003, Iraq's new constitution guarantees the unification of the country based on the distribution of power and wealth. As outlined in the constitution, the Kurds attained more power in the northern Kurdistan Region, which includes the three governorates of Erbil, Sulaimanyia and Duhok, and newly added Halabja city.

However, the dubious cohesion and obscurity of Iraq's oil sector and wealth redistribution are still impairing the country. Iraq has had a nationalized oil industry since 1972, in which the government makes all of the decisions and takes all of the revenues. Iraqis tend to preserve the legacy of Saddam's oil law that reflects a centralized, nationalized mindset. The Iraqi government has not yet issued the new draft petroleum law. The Kurds have pressed for regional authority to distribute their oil revenues and demand the right to conduct business with foreign oil companies without federal government interference, while Sunni and Shia Arabs support central government control over revenue collection and distribution. This conflict over who has the right to sign contracts for the development of new oil and gas assets remains a source of instability and a main driver of conflict within Iraq, along and within both sectarian and geographic lines.

An agreement should be made on a new wealth redistribution management plan for oil and gas resources that falls within the current parameters of the constitution. Kurdistan Region has passed a natural resources law in 2007, which outlines the extent of Kurdistan's constitutional right to control petroleum development in its borders. The constitution refers to the management of resources in article 121: "Regions and governorates shall be allocated an equitable share of the national revenues sufficient to discharge their responsibilities and duties, but having regard to their resources, needs, and the percentage of their population." In addition, article 109 specifies the right of the region to develop the oil and gas wealth. Furthermore, articles 110, 111, 112 and 140 guarantee the federal system, covering disputed internal boundaries and the territorial integrity of Iraq. Leaving such an issue unresolved will likely lead to further conflict.

Federalism must be practiced more substantially in Iraq to guarantee the political and financial powers of the regional governments. This is the only way to keep this country whole, and is a critical factor for ensuring government protection and trust between of Iraq's various ethnic and religious groups. Given the low levels of trust that exist among Iraqis, especially between Arabs and Kurds, if the regional government does not have enough power - principally acquired but practically denied - then real federalism will be doomed to failure. The regional governments and the governorates should have enough financial power to legislate economic policies that will develop and strengthen their regions.

Such policies tend to focus on regulating the region's macro and micro economies, encouraging more small and medium enterprises (SMEs) to grow. Federal banking and finance should be guaranteed, so that entrepreneurs are encouraged to set up new businesses in their regions. The federal government should support strong regional economies, helping to establish a solid finance system that decreases dependence on federal government aid. Oil revenues can be used as a trigger from which to grow a long-term, sustainable economy. The more developed the federal governorates are economically, the stronger the federal government will be. Punitive measures to weaken the region and the governorates by broadening federal control will result in continued conflict and instability.

Over the last fourteen years, power sharing and wealth distribution practices between the federal government and the Kurdistan Regional Government (KRG) simply did not work. This led directly to Kurdistan's September independence referendum. The KRG prepared a report about the constitutional case for Kurdistan's independence, demonstrating Iraq's violations of fifty-five articles of the constitution. In negotiating the constitution in 2005, Kurdistan's leaders made it clear that Kurdish participation was contingent on Iraq remaining a federal and democratic state in which Kurdistan's rights would be fully respected and their economy free to flourish. Baghdad must stop acting like a Saddam-era central government demanding total economic control, and in turn, Erbil must avoid taking advantage of Baghdad's weaknesses. Without a solution for these issues, national reconciliation will not be possible. ❖

RECOMMENDED

BRIEF ANALYSIS

Iran Takes Next Steps on Rocket Technology

Feb 11, 2022

◆

Farzin Nadimi

(/policy-analysis/iran-takes-next-steps-rocket-technology)

BRIEF ANALYSIS

Saudi Arabia Adjusts Its History, Diminishing the Role of Wahhabism

Feb 11, 2022

◆

Simon Henderson

(/policy-analysis/saudi-arabia-adjusts-its-history-diminishing-role-wahhabism)

ARTICLES & TESTIMONY

Podcast: Breaking Hezbollah's Golden Rule

Feb 9, 2022

◆

Matthew Levitt

(/policy-analysis/podcast-breaking-hezbollahs-golden-rule)