

# Trouble Brewing in Iraqi Kurdistan

by [Bilal Wahab \(/experts/bilal-wahab\)](#)

Sep 30, 2016

Also available in

[العربية \(/ar/policy-analysis/almshakl-tlwh-fy-afq-aqlym-krdstan-alraq\)](#)

## ABOUT THE AUTHORS



[Bilal Wahab \(/experts/bilal-wahab\)](#)

Bilal Wahab is the Nathan and Esther K. Wagner fellow at The Washington Institute.



Brief Analysis

## Internal political bickering and public discontent over economic problems could complicate the upcoming Mosul campaign and the KRG's long-term unity.

**O**n September 29, President Masoud Barzani of the Kurdistan Regional Government led a delegation to Baghdad -- a rare visit that may help consolidate efforts to liberate Mosul and alleviate the KRG's economic and political woes. The Kurdish parliament has not met in about a year, and the economy is suffering due to mismanagement, low oil prices, a longstanding impasse with the central government in Baghdad, and the war against the Islamic State (IS). As a result, teachers and other public servants have taken to the streets, angry at the KRG's inability to pay their salaries. If the United States and other partners hope to shore up one of the Middle East's more promising success stories, they will have to engage the Iraqi Kurds even more closely on political and economic matters. The need is especially urgent as the campaign to liberate Mosul nears -- the Kurdish Peshmerga, a force of around 160,000 patrolling the 1,000-mile border with IS-controlled territory, are slated to play an instrumental role in taking back Mosul and the plains of Ninawa.

## FRACTURED INTERNAL POLITICS

**T**he past decade has been a hopeful period of increasingly pluralistic, competitive Kurdish politics. This process was further oiled -- literally -- by the flood of petro-dollars into the KRG. Pipelines are already exporting Kurdish oil through Turkey and could eventually route it through Iran as well.

At the same time, however, a variety of economic and political problems have been plaguing the KRG. Since 2014, Barzani and his Erbil-based Kurdistan Democratic Party (KDP) have touted independence from Baghdad as the panacea to these ailments. Parallel to this push for a referendum on independence is the possibility that the KRG will violently split into rival fiefdoms headed by the Barzani and Talabani families. For now, these KDP rivals -- the

Patriotic Union of Kurdistan (PUK) and the Gorran (Change) Party, both based in Sulaymaniyah -- have kept their rhetoric about separating from Baghdad to a simmer, but they continue to accuse Barzani of partisanship and otherwise roil the water back in the KRG.

These and other political divisions undermine the KRG's aspirations, whether for greater autonomy or full independence. Democratic regression and weak governance remain a problem -- KDP and PUK patronage networks tend to hold sway rather than rule of law, and Peshmerga loyalties are often divided across party lines. Meanwhile, the parliament has been shut down since October 2015 due to a dispute over Barzani's presidential tenure (when his second term expired last year, disagreement ensued over whether he should be granted an extension or replaced through elections). Such disunity also invites interference from Turkey and Iran, which pulls the Kurds further apart.

## **ECONOMIC WOES**

**T**he main driver behind this political strife is budgetary reality. With the collapse of oil prices, Kurdish parties are now at odds over every last crumb of a shrinking pie. At the same time, they are under pressure from a public angry at their utter failure during the fat years, when the government should have been facilitating the development of a non-oil-based private-sector economy and effective institutions. The KRG is now months behind in paying its public employees, resulting in angry demonstrations and strikes.

The financial crunch also threatens the oil and gas sector. Because the KRG has often delayed or defaulted on payments to international oil companies operating in its territory, some firms have threatened to shut down operations or leave outright.

More broadly, the KRG's status inside Iraq gives it few levers on the economy, such as monetary policy or access to credit, so it is pressed to repay up to \$20 billion in amassed debt -- a sum that nearly equals its annual GDP. KRG deputy prime minister Qubad Talabani has repeatedly likened this dire fiscal situation to a "tsunami."

## **RELATIONS WITH BAGHDAD**

**I**n 2014, then-prime minister Nouri al-Maliki decided to cut the KRG's 17 percent share of the federal budget (\$12 billion in 2014) after the Kurds failed to deliver their oil revenues. Coupled with the economic demands of the IS incursion and resultant refugee crisis, the move brought the KRG's economy to its knees and deadlocked Kurdish relations with Baghdad.

Tensions and recriminations have persisted ever since. On September 21, the federal parliament in Baghdad sacked Finance Minister Hoshyar Zebari, a high-ranking Kurdish official who is also uncle to Barzani. Zebari blamed the move on Maliki, who remains a potent political force despite his resignation two years ago. The incident could have further soured Erbil-Baghdad relations, but Barzani seemed to defuse it by visiting the capital a week later, his first such trip in three years. By Barzani's calculations, strengthening Prime Minister Haider al-Abadi's government could help undercut Maliki's reascendance to power.

Previously, a hallmark of Kurdish politicians was their consistent show of unity in Baghdad regardless of their differences at home. That is not the case anymore, however. In opposition to the KDP, Kurdish parliamentarians from the PUK and Gorran voted for Zebari's ouster on charges of corruption and mismanagement. Maliki appears to be playing a role in this dynamic by cozying up to the PUK and Gorran in Sulaymaniyah, which has led Barzani to tone down the reaction to his uncle's ouster for fear of reinforcing Maliki's maneuvers against Abadi. When Maliki visited the KRG in July, he stopped in Sulaymaniyah but not Erbil. Barzani reciprocated the snub this week, meeting with many Iraqi leaders in Baghdad but not Maliki -- hardly a surprise given that Maliki's nephew, a member of parliament, called for Barzani's arrest upon his arrival.

For their part, Gorran and the PUK seem to believe that they have lost any chance of gaining full power in Erbil, so they have refocused on consolidating their position in Sulaymaniyah and blaming the KDP for all of the KRG's woes. If the situation is left unchecked and the gaps continue to widen, Sulaymaniyah could become increasingly autonomous from Erbil.

The KRG's political cracks also stretch into Iraqi and wider regional politics. Iran and Turkey have long sought to fill the political vacuum left by America's withdrawal from Iraq, particularly since the escalation of Syria's civil war. Thanks in part to a pipeline deal with Turkey, the KDP has dominated Kurdish politics for some time and tends to show more internal cohesion than its rivals. In contrast, the PUK is internally fractured and competes with Gorran for control of Sulaymaniyah; Iran continually presses both of them to hold together in order to maintain its balance of power with Turkey.

## OPPORTUNITIES AHEAD

**T**he Kurds can become Iraq's kingmakers again, a role that has afforded them great leverage and stature at various points since 2003. Today, Barzani once more has significant leverage over Baghdad, including Peshmerga participation in Mosul's liberation, the use of KRG pipeline networks to export Kirkuk oil, and a willingness to house more refugees. To use those levers effectively, however, Barzani needs to represent all Kurdish parties. Infighting only impedes the Kurds from capitalizing on their unprecedented international support. Unity will be much easier to achieve if Barzani assures his rivals that he will not be president for life.

Whatever the case, the KRG will continue to press Baghdad on multiple issues, including protection from Shiite militias post-IS and a fair share of both IMF loan money and oil revenues. Both sides have an interest in advancing the reform requirements upon which the IMF loan is conditioned -- fiscal consolidation, boosting the private sector, and accountability.

Indeed, overcoming these problems requires recognition that government mismanagement is a greater long-term threat to the KRG than IS. Strong governance and a strong economy are the real precursors to statehood, not revolutionary fervor. In the interim, initiating a fresh round of negotiations with Baghdad while holding a better hand could help the Kurdish economy. And oil federalism could introduce more transparency into the KRG's oil sector, which remains an unmet public demand.

U.S. engagement could do much to facilitate such efforts and prevent further deterioration of the KRG's political situation. For instance, by directing U.S. military support to Peshmerga units under the KRG's formal control rather than those who answer to individual political parties, Washington has created incentive to strengthen the government relative to the KDP, PUK, and other factions.

Kurds respect the United States, which they know has played such a major role in their freedom, so a clear and active U.S. stance could influence their politics. For example, vocal American lobbying for reactivation of the KRG parliament could make a difference. In the absence of more assertive U.S. engagement, however, Kurdish politics may fracture further, which would not be good for the stability of Iraq or the broader region.

*Bilal Wahab is a Sorel Fellow at The Washington Institute.* ❖

---

## RECOMMENDED

---



ARTICLES & TESTIMONY

### How to Make Russia Pay in Ukraine: Study Syria

Feb 15, 2022

◆  
Anna Borshchevskaya  
(/policy-analysis/how-make-russia-pay-ukraine-study-syria)



BRIEF ANALYSIS

### Bennett's Bahrain Visit Further Invigorates Israel-Gulf Diplomacy

Feb 14, 2022

◆  
Simon Henderson  
(/policy-analysis/bennetts-bahrain-visit-further-invigorates-israel-gulf-diplomacy)



BRIEF ANALYSIS

### Libya's Renewed Legitimacy Crisis

Feb 14, 2022

◆  
Ben Fishman  
(/policy-analysis/libyas-renewed-legitimacy-crisis)

#### TOPICS

Arab & Islamic Politics (/policy-analysis/arab-islamic-politics)

Democracy & Reform (/policy-analysis/democracy-reform)

#### REGIONS & COUNTRIES

Iraq (/policy-analysis/iraq)

