

ECONOMY AND PARA-DIPLOMACY IN KURDISTAN REGION OF IRAQ (KRG): AN OVERVIEW

BY

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Abstract

Economy is an integral aspect of global politics. Such economy dictates the direction and complexity of state's foreign policy. As economic capability of state gives lucid account of the strength it has vis-à-vis other states within the global political economy, economic interactions between and among states further enhances the state's economic capability. It is based on this position that states strive to have economic capability to enrich themselves. Kurdistan region is an integral part of Iraq statehood but the region endeavours to interact with other states globally in order to promote its economic activities. It is a region with rich deposit of crude oil. The Kurds in Iraq believe that the financial capacity of Iraq is based primarily on the extraction of oil from the Kurdistan region and such position further intensify the manner with which the leadership of the region keeps demanding for sovereign nation. Thus, this article examines the economic dimension in the para-diplomacy of KRG. It addresses the role oil and other economic activities have played in the KRG relationship with other entities within the international system. As economy is an integral aspect of diplomatic relation, the research concludes that the KRG government should be proactive in intensifying economic growth for development and global competition. The research employs the use of hermeneutic to mine data from internet sources, library, and personal observation.

Keywords: Economy, KRG, Para-diplomacy, Iraq, ISIS

Introduction

Para-diplomacy is defined here as the activities of sub-state governments' in international relations through "the establishment of formal and informal contacts, either permanent or ad hoc, with foreign public or private entities, with the aim to promote socio-economic, cultural or political relations" (Cornago, 2010: 13). Mainstream literature of the field of international relations is increasingly bringing para-diplomacy into an extensive scholarly debate (Cornago, 2010). Whether one takes a hard-line realist account to see non-state actors as a disguise to the state's interests or a liberal view to consider the globalisation process as the catalyst for emerging these actors out of state's control, the overwhelming agreement is ostensible in including these actors in any analysis of the international affairs, no matter it is a regional government, a transnational trade body or a human rights organization. Traditional international relations (IR) theories often tend to assume that the state is the preeminent actor in world politics and that IR are primarily relations of states. All other actors in world politics—individuals, international organizations (IOs), nongovernmental organizations (NGOs), etc.—are either far less important or unimportant. Basically, realists are not convergent in the weight they give to the role of parallel actors to the states. Neoclassical realism deliver sufficient analytical view on non-state actors such as military or rebel groups affecting state foreign policy that are empirically important but had previously been neglected by structural realists (Laksmana, 2013). The shift and diffusion in the nature of power and other global factors has made it compelling to take sub/quasi states into account in IR theory (Charountaki, 2011: 249).

As highlighted by Guzzini (2013: 217) "understanding the new diplomacy needs an engagement with sociology, identity and political economy and observing foreign relations only through a traditional realist lens is no longer sufficient". This is because in the "postmodern order" state sovereignty is no longer absolute (Cooper, 2003: 26). In the new liberal economic order non-state actors, contrary to what most realists assume, are no longer objects of the international law and system, thus, due to their major role and impact, they need and should be considered as subjects of the world system (Nijman, 2013: 93). It is in such a context that the KRG's extensive economic relations can be observed, discussed and explained.

Emergence of ISIS and the KRG Stance

The fall of Mosul, the second largest city in Iraq, into the hands of ISIS in June 2014 "has changed the political and social landscape to the benefit of the Kurds which American policy-makers now need to take stock of the reality of the Kurdistan Region" (Stansfield, 2014: 1) Showing its appetite for seizing more territory in Iraq, Islamic State (IS, previously known as ISIS), soon after Mosul fell, arrived at the gates of Erbil, KR's capital, in August 2014 where the West had too much economic, security and geopolitical interest. While preparing military assistance to the Kurds, Western leaders have shown their gratitude to the Kurdish forces, Peshmerga, for holding back IS more than one thousand kilometre. In a show of commendation to the Kurds in Iraq, Barak Obama while criticising Iraqi forces

for not holding against IS advances he praised Peshmerga forces and emphasised the US's readiness to arm them (albeit not directly yet and hesitantly), stating:

“What we've learned in Iraq is, yes, ISIL [ISIS] has significant capabilities, and they combine terrorist tactics with traditional military tactics to significant effect, but part of the problem also is that we haven't seen as effective a fighting force on the part of the Iraqi Security Forces as we need. And we're going to have to focus on the capable units that are already there, bolster them, bolster the work that the Peshmerga has done” (White House, 2014).

In a similar vein, Angela Merkel, German Chancellor, defended the notion of arming the Kurds in Iraq to fight IS saying “We faced a choice: not to take any risks, not to deliver [arms] and to accept the spread of terror; or to support those [Kurds] who are desperately but courageously fighting the barbarous terror of ISIS with limited resources” (Reuters, 2014). In addition, soon after IS launched an assault on Kurdistan, the UK provided the Kurds with arms, intelligence and military training (House of Commons, 2015). Some scholars and analysts, are of the view that Kurds are fighting IS on behalf of the whole world, a claim often reiterated by Kurdish leaders (Karadaghi, 2014). The French philosopher Bernard-Henri Levy for instance asserted that “Peshmerga are the only ones to have taken literally the global order to mobilise against the Daesh [ISIS] hordes and to fight, face to face on the front line against a self-proclaimed state that threatens, as we have been amply warned, not just Kurdistan, but humanity itself” (Levy, 2014). The KRG's efforts seem to be yielding in conveying the message of the importance of their contribution in the war against terrorism, both in terms of military and political gains. The US's action in collaboration with Kurdish forces which is known as “the Allied Coalition Airstrikes Campaign” against IS was in part a result of such policy. Generally speaking, the US-led campaign against the IS relies heavily on Kurdish Peshmerga, bearing in mind that the Western powers including US have so far no intention to have boots on the ground. As an indication of the scope of security and military co-operation the KRG currently is a strong member of anti-IS coalition. In such framework the international community including Turkey allowed for the first time in modern history for a sub-state government to send troops to another country fighting terrorism. It can be argued that the KRG's military intervention in Syrian Kurdish town, Kobane was an extraordinary external action of a non-state actor (Abbaszadeh, 2015). It also gave more regional and international legitimacy to Kurds of Iraq and Syria (Gunes & Lowe, 2015).

The Western reassuring rhetoric and substantial support in terms of airstrikes, intelligence and surveillance and their arming of the KRG's forces, whose status before the war could not be given any credit higher than a sub-governmental militia, is evident. The leaders of powerful states including the US, the UK, France, Germany, Italy, Canada and Australia, among others, now consider KR as one of their key allies in terms of security enforcement in the anti-West Middle Eastern environment. Harper, Canadian Prime Minister, in his visit to Erbil stated that “when ISIS was literally overrunning this entire country [Iraq] with virtually no resistance at all these [Kurds] were the people who stood up and resisted them and stopped them” (Brewster, 2015). The statement emphasized his policy intention to increase military support to the Peshmerga forces of Kurdistan in 2015. Although evidence shows that the collective security threat from terrorism (IS mainly) that states share with the KRG, can strengthen the political, military and economic ties between the Western allies and the Kurds of Iraq, it is important to note that this support lasts only, at least for now, to an extent in which the Kurds stay within the boundaries which interests of those states draw. In the next section this matter along other challenges will be more elaborated.

Economic Activities and KRG Para-diplomacy

Despite the fact that Iraq's central government, as a state, possess far more capability to access international networks, it has been well over a decade that the KRG managed to operate internationally in terms of economy including the field of natural resources. Such international involvement of the KRG however, has generated disputes, especially over oil export, with central government in Baghdad. Kind of conflict that on one hand often is associated, from Baghdad's point of view, with the Kurdish intention for secession and on the other hand, from a Kurdish perspective, compels with economic independence. Statistics show that “by 2003, Iraq's economy [including Kurdistan Region] was severely weakened in every area” (Gunter, 2021). Therefore, after the regime change in 2003, KRG attempted to build Kurdistan's economy and its infrastructure literally from scratch, which demanded economic activities beyond Iraqi borders. Bayan Sami Abdul Rahman, KRG's representative to Washington, for instance, stressed that Kurdistan was left severely undeveloped for a century as a result of ethnic conflicts and we [KRG] need to develop Kurdistan's economy rapidly (Arab News Network, 2014).

Since the Region is well known for its colossal oil reserves, the main focus of its international economic activity has been to develop oil sector. Started with American firm, GenelEnergy from 2002 onward, the KRG did continue signing contracts with varied range of companies. Not only majors like Chevron, ExxonMobil, Total, and Gazprom whom have expanded their operations in the Region, but some 50 other companies around the world have come to the KR's oil industry (*EKurd Daily*, 2013). Most of the oil produced by the foreign firms in KR is routed through Turkish territory to world market, thus this enhances the role Turkey can, and is, playing in Kurdish oil sector. In its vast efforts to endorse its own petrol economy, KRG reached a 50 years oil export contract with Turkey that further chilled its ties with central government in Baghdad (*Anadolu Agency*, 2014). A KRG's report on an increase of some 60 percent oil export to Turkey over four months in mid-2014 illustrates the extensively rapid efforts have been made (Ministry of Natural Resources, 2014).

This trend had major impact on the KR both domestically and internationally. It improved standard of living in the Region. In 2004 the per capita income (\$3,500 per year) in KR was 25 percent higher than in the rest of Iraq – comparing to pre 2003 era this figure was considerably promising (Aziz, 2011: 13; King, 2013). Establishing two major international airports in the region along the facilitating policies for travellers, especially Kurdish diaspora through the KRG's consulates abroad, with 1.5 million passengers in 2014 has contributed to such growth in KRG economy (Abdulla, 2015). Construction sector with a market worth \$2.8 billion has been generating jobs and economic growth (United State Agency for International Development 2008). The KRG's involvement internationally drastically grew from 2006 onward as 36 foreign government consulates started operating in Erbil in parallel with their embassy in Baghdad. Considering the abovementioned scope of economic relations with the outside world and current political and security co-operation it has with the anti-Islamic State coalition it can be safely argued that the growth in international influence and attention to Kurdistan in the fields of politics and investment are to some extent indicators of a relative success of the KRG's foreign relations (Mohammed & Owtram, 2014:3).

Economic and political relations facilitated the path for Kurdish leaders to be present at international meetings, conferences, forums and summits. As such invitation to Prime Minister Nechirvan Barzani to attend major international Economic Forum on the Middle East and Africa held in Jordan in 2015 is becoming regular trend (Kurdistan Regional Government, 2015). The networking activities of Masoud Barzani, the KR president, at the World Economic Forum in Davos in 2013 and 2014, is seen as an incredible development for the KR in the international arena. President Barzani also attended Munich Security Conference in January 2016 and met numbers of world leaders focusing on security affairs they share reciprocally (Kurdistan Region Presidency, 2016). Given the fact the Barzani's office term did finish in August 2015, the legitimacy to conduct such duties after this date is under scrutiny. Nevertheless, KRG officials are seen often on Turkish red carpet and vice versa. It is the case, to a large extent, due to the extensive economic relations the two entities have developed over the last decade. In May 2012, Turkish Minister of Energy, Taner Yeldiz stated that trade partnership between Turkey and the Kurdistan Region accounts for some 70% of the 11 billion dollars of trade with Iraq (Ministry of Natural Resources, 2012). It has been argued that KRG has played a critical role in shaping bilateral interdependency (Barkey, 2011). Turkey has been compelled to recognise the potential of KR as an important source of gas, and considering the zeal of Turkey to become a giant gas exporter in Europe, some of its officials have recognised the need to romance Kurds for economic purpose (Gures, 2014). As part of this "romance", Barzani was received by Turkish Prime Minister, Ahmet Davutoğlu in late 2015 rather warmly. For the first time in history the Kurdish flag was hoisted side by side with Turkish flag in an official visit. Other officially designed visits with economy at its core can be interpreted as the importance of the KRG in Turkish-KRG relations (Dolamari, 2015).

Ruling a landlocked territory, the Kurds in Iraq have been making efforts to balance the tangible need to establish economic relations with Turkey as an easy and accessible business partner. In doing so, KRG's leaders have always referred to Articles 111 and 112 of the 2005 Constitution where it states that oil and gas are not the exclusive power of central government (Kurdistan Regional Government, 2013). Iraqi Constitution clearly states that "federal government and regional governments shall together manage and undertake oil and gas policies and trade" (Constitution of Iraq, 2005).

Turkey and KRG Economic Strategy

Turkey's interest in Kurdish oil and gas doubled with the KRG's motivating policy of offering lucrative production-sharing contracts (PSC). This enabled Turkey to gain control over vast oil and gas fields with a remarkable profit for Turkish firms. Some scholars suggest that Ankara is acting as the KRG's patron both regionally and internationally

and Turkey would much rather deal with an independent KRG than a KR whose power is limited by Baghdad (Paasche & Mansurbeg, 2014: 120). The reason might lay in economic terms and figures, where for instance, in 2010 Turkish trade with the KRG was greater than Turkish trade with Syria, Lebanon and Jordan combined (Klich, 2013: 68). But whether Turkey will tolerate an independent Kurdistan in Iraq is still an open question. Despite that, a US scholar suggesting that having all this giant oil companies in KR may become a source of hope for independent movement as the companies may lobby their home governments for policies favourable to KRG's more autonomy. The KRG's economic and liberal investment policy, marked the KRG out as one of the most foreign-investor friendly governments in the Middle East (Paasche & Mansurbeg, 2014). The attractiveness of oil investment in Kurdistan region in terms of the real chance of discovery and the high percentage share firms can hold, have made Exxon Mobil, Chevron, and Total – three of the world's biggest oil companies not deter from signing up with KRG, ignoring Iraqi central government threats of barring them bidding in future contracts in the other parts of Iraq. As an example, Iraq's decision to void Total's Halfaya contract in southern Iraq as a punishment for the company's direct contract with the KRG did not affect Total's presence in Kurdistan (*EKurd Daily*, 2012).

The effective strategies, such as awarding Production-Sharing Contracts (PSC) to international oil companies with 25-35 percent profit, compared to the rest of Iraq, where service contracts with 15-18 percent profit are offered, were rewarding for KRG in attracting more companies. This measure, perhaps, diverted many international companies from Baghdad to Erbil (Stansfield, 2013). This case became apparent when the giant Exxon Mobil signed PSCs in the KR in October 2011 followed by Total in October 2011, Chevron in July 2012, as well as Gazprom in August 2012. The economic effects of having contracts with international oil companies of such significant stature gave the Kurds an enormous financial muscle to exploit oil to their own advantage to propagate their right to independence across the globe (Stansfield, 2013: 273). This also enabled the Kurds to pursue their agendas through the establishment of KRG's foreign services across the World. The KRG's oil strategy seems to be political as much as economic, as the Kurdish leaders are well aware of the need to be recognised as a viable entity, to gain diplomatic recognition, to practice independence beyond Baghdad and finally obtaining political support internationally. Masoud Barzani highlighted this by stating that "If ExxonMobil came, it would be equal to 10 American military divisions... They will defend the area if their interests are there" (Zebari, 2012).

It needs to be emphasised here that regional powers are crucial to the KRG's para-diplomacy effectiveness. This position might account for the employment of foreign economic relations, especially oil and gas, as a tool of soft power to promote bilateral and multilateral relations with regional powers such as Turkey and Iran (Zulal, 2012). In this way and from a liberal economic point of view, the once Kurdistan's adversaries, may ultimately turn into friends through economic diplomacy, or at least not foes. The importance of economic diplomacy in Kurdish external relations reveals the extent the state, e.g. Turkey, will go in achieving its national interests. Otherwise, how would one explain the independent economic relations between a subnational entity, KRG, and a national entity, Turkey? The availability of invaluable natural resources in KR has thus enhanced Kurds progressive and gradual movement towards independent foreign relations.

Conclusion

Economy is an important aspect of Kurdish weapon towards actualising statehood. Its oil together with deposit of gas has attracted the attentions of some regional global powers towards Kurds' political aspiration. In a way, economic activities is an integral launch pad of Kurdish international outreach. Such economic activities has made the role of Turkish government more ambivalent as well as ambiguous. In a similar vein, its international economic outreach has served as the means through which diplomatic contacts are made towards actualizing statehood. However, taking the numerous challenges the KRG is facing into consideration, it is no wonder why observers are growing in suspecting the emergence of the state of Kurdistan which somehow deemed, according to the findings of this study, to be bonded to the foreign relations the KRG has already established. Thus, the research suggests the need for KRG government to bolster the region's economy in order to make it competitive in the global arena and to strengthen their hold against external and internal threats.

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