In Pawn: Kurdish Economic Development in the Context of Conflict

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In Pawn: Kurdish Economic Development in the Context of Conflict

Stephen E. McAvene III

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ABSTRACT

In Pawn: Kurdish Economic Development in the context of conflict

Stephen E. McAvene III

In this paper the author examines the struggle of the Kurdish people for self-determined social, political, and economic development in the whirlwind of conflict in the Middle East. It uses a case study of how a Kurdish minority in Iraq interact with multiple stakeholders in their struggle for nationhood, and implications of these interactions for overall Kurdish social and economic development. Studies on economic development while interested in social, economic and political aspect of development, are less concerned with the implications of right to self-determination on development; the unique case of the Kurdish struggle provides an opportunity to expand the development discourse surrounding self-determination for minority groups.

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Introduction

In the game of chess, the pawn is the weakest piece, leading the attack and often sacrificed for strategic gain. However, if the pawn reaches the eighth final rank of the board, it is promoted, exchanging its pawn status for that of a Queen, a sovereign piece. So too is Kurdistan in pawn on the international stage, used by Western powers to promote a Western political agenda in Iraq. As a pawn, they have led many attacks and sacrificed much, but have grown in strength and stature, however the issue of their promotion to full sovereignty remains unresolved.

This paper is an analysis of struggle for right to self-determination of Kurds who are distributed within four countries in the Middle East. It focuses on the period during and after the first Gulf war to the present. The case study focuses on the interaction and relationship between the struggle for self-determination and social and economic development of marginalized ethnic minorities focusing on the Kurdish minority in Iraq and how they interact with multiple stakeholders in their struggle for nationhood, as well as the implications of these interactions for Kurdish social and economic development.

Do the Kurdish people have a right to sovereignty? As we will see their cultural ties to the area are unquestionable. However, even though self-determination is an internationally recognized right, secession is often only recognized after the fact of political power is established and economic development is catalyzed. To lend weight to a claim of sovereignty via secession, the social contract with their internationally recognized sovereign government must be shown to be unfulfilled. As we will also see, this is arguably the case in Kurdistan. (Studies on economic development while interested in
social, economic and political aspect of development, are less concerned with the implications of right to self-determination on development—this is the main contribution of this study for development)

In the first section, I will present the current literature covering the intersection of development and self-determination, focusing on the right to self-determination, its modern origins, and its place in the economic, social, and political spheres of developing areas. Section II will give a brief background on the Kurds, showing their unique status as a marginalized people who have created their own space on the periphery of the international community, and now approaching the cusp of possible inclusion. Section III will examine the case of Iraqi Kurdistan, discussing its sustainable conception via conflict, after the first Gulf war; the social, political, economic successes and developmental promise Kurdistan has shown; as well as the challenges that have beset Kurdistan along the way. Both successes and challenges are tied to Kurdistan’s economic development, and Section IV will conclude this study, reviewing the effects of the intersection of economic development and self-determination in Kurdistan, and the evidence regarding its future status as an autonomous region or a fully sovereign nation.
Self-Determination

The idea of self-determination has been addressed in United Nations documents since the inception of that organization. In the founding document, the UN Charter of 1945, Section Two of Article One explicitly places self-determination as essential to the four Purposes of the United Nations.\(^1\) Self-determination was later established as a basic right by the UN in 1966 via the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights.\(^2\) Hans Morten Haugen unpacked the nuances of these treaties and the United Nations de jure stance on self-determination in the Law Environment and Development (LEAD) Journal, the Right to Self Determination and Natural Resources: The Case of the Western Sahara. This case parallels Kurdistan in that a local ethnic group, the Sahrawi, has claimed independence and sovereignty over the nation, while its neighbor, Morocco, lays territorial claim to the nation. Haugen argues that the UN treaties and charters clearly support the Sahrawi claim to the resources and the land, but external political and economic considerations with the European Union and Morocco have prevented this interpretation. The inability of the local people to control their natural resources limits their ability to develop economically. Furthermore, the dispute over this control creates conflict that creates a need for direct humanitarian aid, rather than development aid.

Developmental aid to non-sovereign regions is discussed at length by David Williams in the Review of International Studies. His article, Aid and Sovereignty: Quasi-

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States and the International Financial Institutions, focuses on the relationships between the World Bank, the IMF, and quasi states, those states that enjoy a limited autonomy, yet not sovereignty. He makes the point that in modern times the norm of sovereignty has become intertwined with material well-being and economic development.\(^3\) In fact, “The most significant norm which has become associated with the possession of sovereign statehood is the pursuit of economic development”\(^4\) Along this line, he notes that increasingly IFIs, International Financial Institutions, are endeavoring to provide aid and loans to non-sovereign regions. This creates a complicated situation when determining who is responsible for servicing said loans, maintaining regional development goals, and insuring that the funding is spent as it was intended. Those relationships and the agency granted to the parties involved can be detrimental to development.

At the core of self-determination is democracy, the very notion requires a political expression of governance from the people. Additionally, levels of democracy in a region, as measured by IFIs and the UN, are factors in providing loans and establishing agency in the international community. How democracy is interwoven with self-determination is addressed by James Bohman in the February 2016 issue of Critical Horizons, in his article, From Self-Legislation to Self-Determination: Democracy and the New Circumstances of Global Politics. He asserts, “… democracy must serve to delegate power to complex units of decision making which favour self-determination. Contestability is part of this form of self-determination, allowing forms of politics to emerge based on the democratic rights and


\(^4\) Ibid.
powers of self-determining, non-dominated citizens.” This explicitly avers the right to self-determination, and links it directly to democracy and democratic function, and the agency they convey.

Does this right to self-determination imply the right of a group to secede from an established nation? Arguably one follows the other, however Zoilo Velasco in the international community law review disagrees that self-determination leads to secession. “In reality, whether a certain group or "nation" can secede from an existing state is not a function of self-determination. It is rather dictated by effective power or authority in international politics, which assigns validity and approbation to secession.” This is surely true in many examples of marginalized groups that seek their own place at the world table via their own sovereign territory. It is also true in many examples, that those same people do not have the political and economic power to do so. The international community may acknowledge the right to self-determination but that does not translate to support for secessionist movements. Even in cases such as the previously mentioned Western Sahara, where the UN supports the de jure right of self-determination of the Sahrawi, the de facto situation is that the Sahrawi are prevented from exercising that right because of the political and military power of the other stakeholder, Morocco. This is realpolitik; to exercise the right to self-determination beyond the narrative of a group, a group must have the power to realize it a priori.

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Velasco attempts to separate secession from self-determination asserting the sovereignty of states and their borders, particularly in nations where their other rights are being protected and the social contract with the recognized government is being upheld. He correctly traces the roots of the current international order back to the Post World War I divisions of the Ottoman Empire and Germany, as well as the decolonization movements post World War II.

The allowance of self-determination for former colonies and occupied areas has faded over the years, especially in the context of development. Economic development via globalization and neoliberal economics focuses on economic development, ostensibly increasing the agency and power of the developed through economic means, as opposed to direct political means. An acceptance of the current international status quo has become part of the paradigm. A consensus on national borders is central to the disassociation of secession and self-determination, however, historically this has been subject to the previous realpolitik axiom of a priori political power, as epitomized by the formation of Turkey in 1923 following the Treaty of Sevres after World War I, and the rise of the nation of Israel after World War II, in 1948. Both groups asserted political power over geographic areas that were historically theirs and were recognized by the international community as sovereign nations. In both instances, violent tactics were determining factor, showing the disparity and desperation of unfulfilled self-determination.
Who are the Kurds?

The Kurdish people have existed, as a group, for millennia. Their cultural existence was documented as early as the 3rd century BCE by Alexander the Great, and are still a vibrant and burgeoning culture today in the 21st Century. After spending most of the 20th century struggling against oppression and marginalization, their over 2000 years of enduring identity encompassing 18 million people is predominantly spread out between the nations of Turkey, Iran, Iraq, and Syria, a people divided by socially constructed borders drawn by the West following the breakup of the Ottoman Empire, Post-World War I.

These foreign imposed borders reflected Western political interests rather than the desires of the inhabitants of the former Ottoman Empire, and the region has been in a state of flux since. Denied the right to self-determination and their lands split between four nations, the years that have followed have been punctuated by oppression through government led sociocultural homogenization programs of Turkification in Turkey and Arabization in Iraq intended to extinguish their culture and diminish their political power. These programs, intended to marginalize the Kurdish people and their culture, have been met with determined resistance and resilience.

Despite the whirlwind of violence that has encompassed the region since the United States led first Gulf War in 1991 set the stage for the eventual downfall of the Hussein regime in Iraq in the second Gulf War 2003, a nascent Kurdish state, Kurdistan, is growing in the northeast of Iraq. Currently an autonomous region of Iraq it is comprised of three governates, Erbil, Slemani, and Duhok. The area is rich with natural gas and oil fields, as
well as arable land, and the Zagros mountains which contain fertile valleys for farming. These mountains have long been the only true friend of the Kurds, provided shelter and sustenance in the face of oppression, and now they are providing a firm base for a possible Kurdish nation. The dream of Kurdistan, that previously only existed in the Kurdish paradigm, is edging closer to reality.7

The first Gulf War brought Western aid and Western protection for Kurdistan, catalyzing growth fueled not only by dollars but by the drive of a culture long denied the right to determine their own direction. This opportunity has been fraught with violence and political strife internally, externally in relation to the rest of Iraq and other regional interests, as well as on the larger international level with NGOs, nations, and international corporations. Internally this strife was manifested during the early formation of Kurdistan in the form of civil conflict. The Kurdish people have been a demographic minority in Turkey, Iran, Syria, as well as Iraq; the possible rise of a Kurdish nation in Iraq would as a beacon for Kurdish sovereignty across borders and could contribute to ongoing conflicts involving Kurds in all three other nations. This makes a fully sovereign Kurdistan unpalatable for those nations, but an autonomous Kurdistan valuable economically for its abundance of oil and gas resources. Additionally, a semi-autonomous Kurdistan would also have political value to rival nations, as a thorn in the side of the Iraqi government in

7 The term, no friend but the mountains, is a Kurdish colloquialism, and was used in the title of a Sundance documentary film entry in 2000, Good Kurds, Bad Kurds: No Friend but the Mountains directed by Kevin McKiernan. He delves into the symbolism of mountains in Kurdish culture as well as their significance in the complex Kurdish struggle for self-determination from in Turkey and along the Iraqi border. Kevin McKiernan. Good Kurds, Bad Kurds: No Friend but the Mountains, Directed by Kevin McKeirnan, (2000; Access Productions), VHS.
Baghdad that is struggling to maintain a fragile control over a nation that has been beset by civil conflict and insurgencies since the second Gulf War in 2003.

As Shia and Sunni elements of Iraq have vied for power in Iraq, Kurdistan’s, United Nations backed, not quite autonomous status, has been used as a method of controlling Kurdistan’s resources and economic development. This method of control has hindered Kurdistan’s development internationally and economically, with successive Baghdad regimes having the ability to veto aid and trade deals arbitrarily. Furthermore, violence has consumed neighboring Syria in a brutal civil war since 2011, which catalyzed the rise of the Islamic State in 2014.
The 1991 Persian Gulf War in Iraq catalyzed a new opportunity for the Kurdish people of Iraq. They had suffered for many years under the oppression of influences outside their culture or control, and the United States led United Nations forces victory over Saddam Hussein meant a weakening of a longtime opponent of Kurdish political, cultural, and economic autonomy, not just in the person of Saddam Hussein but by the Iraqi government in Baghdad. This was the setting for the opening move towards a self-determined, Kurdish state.

The first move of the Kurdish pawn in the Western led foray into the Middle East conflict would be played by United States President George H.W. Bush on March 1, 1991, two days after Iraqi forces had been driven from Kuwait. Then President Bush stated during a news conference from the White House, “In my own view . . . the Iraqi people should put (Saddam) aside, and that would facilitate the resolution of all these problems that exist and certainly would facilitate the acceptance of Iraq back into the family of peace-loving nations.”

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By pushing the Kurds into rebellion and opening a northern flank against the defeated, yet still surviving government of Saddam Hussein, the coalition could increase internal pressure against Hussein. Indeed, the main thrust of the Coalition forces had liberated Kuwait but had stopped short of full invasion of Iraq, instead encouraging internal Iraqi dissident populations into uprisings in the hopes of overthrowing Hussein internally. Western propaganda focused on anti-Hussein sentiment from numerous minority demographics. This encouragement following the quick defeat of Hussein’s forces by UN forces, inspired a Kurdish rebellion. The Kurdish Peshmerga revolted against the Iraqi government but were put down by superiorly armed government forces. The weakness of Iraqi forces against the shock and awe tactics of the UN forces was obvious, but against Peshmerga forces with no air support or armored divisions, stood little chance of success.

Despite encouragement from the United States for this rebellion, United Nations military forces did not come to the aid of the Kurds. Subsequently thousands of Kurds, both members of the military as well as civilians, died. Afterwards, President Bush was accused of bearing some culpability in their deaths. His response was contrary to the sentiment in his previous statement from March, saying, “Do I think that the United States should bear guilt because suggesting that the Iraqi people take matters into their hands, with the implication that the United States would be there to support them militarily? That was not true. We never implied that.”9 However, soon after the rebellion was put down the UN established a no-fly zone over Kurdish Iraq, effectively ending the Iraqi government

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military superiority over the Peshmerga, and would serve as a deterrent to further attacks on Kurdish areas from the Hussein government. The limited autonomy that the Kurds had on paper for decades was becoming factual, reified by the support of the UN military coalition.

By 1992 the Iraqi Kurds controlled a roughly 15,000-square-mile autonomous region in Northern Iraq with a population of three million Kurds. A National Assembly was called and elections were held for both president and parliament and the Kurdistan Regional Government was formed under the Iraqi Kurdistan Front, a coalition of the two major Kurdish political parties at the time, the KDP Kurdistan Democratic Party led by Masoud Barzani, a third generation Kurdish independence leader, whose grandfather founded the KDP in 1946; and the Patriotic Union of Kurdistan PUK, led by Jalal Talabani, a former leader of the KDP who formed the PUK in 1975. The voting had been slightly in favor of the KDP winning 51% of the Parliamentary Seats. The voting was also divided along geographic lines with the KDP in the Majority in Duhok and the northern portions of Erbil and the PUK in the majority in Slemani and southern Erbil.

This political and geographic division extended into the military with Kurdish Peshmerga units being formed along political allegiances, equally divided between KDP and PUK loyalty, and centered in their respective political capitals. At the heart of the issue was Economic friction regarding the revenues from exports and power sharing within the government, two themes that would remain part of the Kurdish paradigm for years to come. As a semi-autonomous region of Iraq, the Kurds were beginning on the path towards independence, but they were still a part of Iraq and subject to the UN imposed sanctions on
Iraq as a whole\textsuperscript{10}. As the oil industry comprised the clear majority of the economy, the banning of Iraqi oil sales by the United Nations crippled the Iraqi economy and the Kurdish one as well. These sanctions had deep socioeconomic implications for the populace. Food, water, and electricity shortages were exacerbated as the infrastructure began to crumble throughout the nation. An overabundance of oil and a closed market created a black market for oil that the KDP took advantage of, selling oil across the Turkish border in contradiction to UN sanctions. The PUK didn’t necessarily disagree with the sales, only that they were shut out of much of the profits as their border was with an oil rich Iran brooked no opportunities for black market oil sales.

Despite the increasing economic crisis, the two parties managed to hold together the KRG until 1994 when political and economic friction erupted into civil war between KDP and PUK Peshmerga units. The civil war ended formally in 1998 with the signing of the United States brokered Washington Agreement, an agreement that addressed revenue and power sharing as well as a pledge to deny the use of Northern Iraqi Kurdish territory as safe havens for Kurds in South Eastern Turkey.\textsuperscript{11} Additionally, Secretary of State Madeline Albright had pledged in public statement and privately to the Kurdish representatives that the United States would not permit any further military incursions by the Iraqi government into Kurdistan.\textsuperscript{12} This and the codicil about Kurdish rebels in Turkey

\textsuperscript{12} Michael M. Gunter. “United States Foreign Policy towards the Kurds.” in The Kurdish Question in U.S. Foreign Policy: A Documentary Sourcebook, ed. Lokman I. Meho (Praeger, 2004), 8
speak to a long term outlook for Iraqi Kurdistan, as they address international relations between the Kurds and sovereign nations without the interlocution of Baghdad.

However, the economic issues that caused the civil conflict were being addressed even prior to the signing of the Washington Agreement. UN Security Council Resolutions 986 implemented the Oil for Food program that was designed to allow Iraq to sell some of its oil in return for food and humanitarian aid. This aid was welcome as the sanctions had been in place since 1991 and despite efforts by the international community to arrange for limited oil exports as early as 1991, the Iraqi regime rejected assistance in defiance of the international sanctions on their sovereignty. In April of 1995 the UN voted to implement Resolution 986, which was finally accepted by the Iraqi government in May of 1996. Oil sales began in December of that year, and food shipments reached Iraq in March of the following year. This helped to stabilize the economic conditions of Kurdistan, but it functioned as a stabilizer only. The official humanitarian point of entry into Kurdistan lay in KDP controlled Duhok, along the border with Turkey at Zakho, this gave the KDP an advantage in aid access which helped to foster a continuing internal friction between the two major parties. As the oil and food began to flow in earnest, a dependency culture landscape formed in Kurdistan. Kurdistan’s primary economic base, aside from oil, is agriculture. Kurdistan is in the bread basket of the Fertile Crescent; agriculture could have

served as an efficient economic catalyst for the rebuilding of Kurdistan. However, as noted by Kerim Yildez, “Centralised purchasing of food and medicine and the importing of foodstuffs from outside of Iraq removed the incentive for farmers to plant crops, enervating the local agricultural economy.”¹⁵ This was an extension of the conflict between the Kurds and the Hussein regime. While the Saddam could not reign in the Kurds militarily, he could through bureaucratic methods hinder the development of an economic infrastructure that would foster sustainable long term growth. As Yildez notes, “The UN’s expressed reason for not buying local crops was that it would upset the Baghdad regime.”¹⁶ The UN agencies were aware of the issue but the immediate needs and the greater good of the entirety of the Iraqi population created a Kafkaesque surrealism, where a “Desire to avoid confrontation with Baghdad meant that UN agencies did not officially ‘recognise’ the ministries of the KRG, despite the paradox of their close collaboration and the KRG’s need to sign off on joint projects.”¹⁷

Semi-autonomy had not severed ties with the still constituted Hussein regime, who recognized that an economically strong united Kurdistan would pose a threat to maintaining the integrity of Iraq as a unified nation. Interference from the Baghdad highlighted and continued divide between the Kurds and the government of Iraq even amid crisis and speaks to the irreconcilable differences that exist between the two. The assurances from the US government to protect Kurdish territory and the humanitarian aid that flowed into Kurdistan despite the political and bureaucratic roadblocks gave way to a

¹⁶ Ibid.
¹⁷ Ibid.
growing Kurdish state. Kurdistan’s semi-autonomous status was a slight boon in the context of the OFFP’s distribution of aid; at 13% of Iraq’s population, 13% of the total revenue was earmarked for Kurdistan, from the remaining 87% war reparations, UN operating costs were deducted, giving a per capita distribution edge to Kurdistan.\textsuperscript{18}

Additionally, during this period, international NGOs provided aid to Kurdistan, however they did so without government approval and were forced to flee for a time in 1996 when the government of Iraq invaded Slemani during the Kurdish Civil War. These NGOs sought to implement literacy programs and community building organizations to give Kurdish communities the framework for sustainable development and rebuilding, which were notably absent from the OFFP.\textsuperscript{19}


\textsuperscript{19} Ibid
A Post Saddam Iraq

Overall the Oil for Food Program was perceived as successful as noted by then Secretary General of the United Nations, Kofi Anon in his Statement to the Security Council on November 20, 2003, “In nearly seven years of operation, the Oil-for-Food Programme has been required to meet an almost impossible series of challenges, using some 46 billion dollars of Iraqi export earnings on behalf of the Iraqi people…meeting the needs of the civilian population across some 24 economic and social sectors.”\(^20\) This statement was made as the Oil for Food Program was closing, no longer needed as the overthrow of the Hussein regime was accomplished via the United States invasion earlier that year. The Kurds for their part took the opportunity to assist the United States and attacked government forces as well, lending legitimacy to the United States invasion as well as future claims to Kurdish sovereignty. With the assistance of US Special forces, the Peshmerga seized the Iraqi cities of Mosul and Kirkuk. Both cities are in areas with Kurdish majority populations but not included in the three official governates.

Kurdish control of Kirkuk, the center of northern Iraq’s oil industry, prompted Turkish alarm, as control of Kirkuk by a semi-autonomous Kurdistan would create a

stronger argument for a sovereign Kurdistan. The city of Kirkuk sits next to a supergiant oil field, with an estimated five billion barrels of oil in reserve, and a substantial oil infrastructure. Control of Kirkuk and the surrounding region has long been contested by the Kurds and the Iraqi regime. Importantly, Kirkuk allows direct Kurdish access to a pipeline outside of Turkish control through Southwestern Iraq and into Jordan and beyond. Turkey’s concern was twofold, a Kurdish Kirkuk would give Kurdistan an enormous economic base in oil reserves, with direct access to two major pipelines. Turkey had long enjoyed the fruits of the regular and black market oil trade with Kurdistan because of the proximity of Kurdish fields to the north south pipeline. Turkey, a sovereign nation in alliance with the United States via NATO as well as allowing the US access to air space and refueling for the campaign registered complaint with the US who then assured Turkey of a US controlled Kirkuk, not a Kurdish one. A strengthen Kurdistan Region in Iraq would further embolden Turkish Kurds and their violent struggle for autonomy in Turkey.

Despite the Peshmerga fighters being forced to retreat, the victory and subsequent US control led to a return of many Kurdish families to Kirkuk. These families had been forced out by programs of Arabization by Iraqi government in the 1990s the Kurds went from nearly 50% of the population of Kirkuk to 21%. However, in the elections that followed, a Kurdish candidate. Abdul Rahman Mustafa, won the mayor-governorship of Kirkuk. While he ruled under the Iraqi government, not the Kurdish one, his election and party alliance with the PUK, and Kurdistan speaks to Kurdish claims for control of Kirkuk.

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A planned referendum on Kirkuk’s inclusion into Kurdistan was delayed initially for six months and became mired in the political struggles of the United States led Coalition Authority, as well as the outside influence of Iraq’s neighbors. The initial agreement sought to “…to take measures to remedy the injustice caused by the previous regime’s practices in altering the demographic character of certain regions, including Kirkuk, by deporting and expelling individuals from their places of residence, forcing migration in and out of the region, settling individuals alien to the region, depriving the inhabitants of work, and correcting nationality.” It included requirements on the government to make reparations to for lost properties of such persons, as well as promote economic opportunity and growth. Once these measures were implemented the agreement would then “The permanent resolution of disputed territories, including Kirkuk, shall be deferred until after these measures are completed, a fair and transparent census has been conducted and the permanent constitution has been ratified. This resolution shall be consistent with the principle of justice, taking into account the will of the people of those territories.” This Article was affirmed by Article 140 of the Iraqi Constitution on 2005, calling for a completed resolution to the status of Kirkuk by the end of 2007. This was further delayed and the recommendation of the UNAMI, United Nations Assistance Mission for Iraq to divide the Kirkuk governorates was rejected. In 2009, Najat Hasan Karim, a top official in the KDP in Kirkuk was quoted as saying, "We shall accept a solution for Kirkuk worked out by the parties inside the city and oppose any solution

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23 Ibid
imported from outside parties that are enemies to the Kurdish people's experiment.”24 This highlights the strong desire for self-determination among Kurdish people outside of Iraqi Kurdistan, also what concerns the government not only of Iraq, but of Turkey and Iran as well. Referendums can set precedents, and successful referendum for one part of Kurdish lands would catalyze a desire for independence for all.

While Kurdistan and its allies in the Kirkuk region maneuvered for control and eventual integration, as if a sovereign state, Kurdistan itself was still unrecognized which detracted from the legitimacy of their negotiations. Due to their unsure international status, they were forced to operate in a state of limbo, “…Nina Caspersen notes that ‘unrecognized states exist in the shadows of international relations, in a kind of limbo, and the renewed outbreak of war is an ever-present risk and defining feature of their existence’—words that ring very true for the Kurdistan Region of Iraq in this period.”25

This threat of war helped define their economic development as well; their alliance with the United States required them to be strong and cohesive militarily as well as politically to serve as leverage against the emerging Iraqi Sunni and Shia parties and militias in southern Iraq, as well as against Iran, Turkey, and Syria,

In contrast to the turbulence in Iraqi governance following the 2003 regime change, the KDR during this period had a stable regional government and a growing economy; the market price of oil began to rise dramatically in 2003, adding revenue to the coffers of the

25 Gareth Stansfield “The Unravelling of the post-First World War state system? The Kurdistan Region of Iraq and the transformation of the Middle East.” International Affairs 89 vol. 2, 2013, (Blackwell Publishing Ltd, Oxford UK), 268
KDR and enhancing their stability and fueling economic development. In 2005 elections, a non-binding referendum on independence was held alongside regional elections, and 98.8% of the three governates of the KDR chose independence. While this was in no way binding, it indicates an overwhelming nationalist sentiment. While US coalition government tried to establish a working government in southern Iraq, Kurdistan’s economy began to thrive riding rising oil prices. However, this was necessary, as oil was the obvious vehicle for the rapid generation of revenue. As Gareth Stansfield points out, “The Kurds realized even before regime change in Baghdad that for the Kurdistan Region to be truly autonomous within Iraq, they would need to have a mechanism whereby revenue would at least be transferred to them from the centre, or at best allow them to generate the revenue themselves.” That is, they needed a sure source of revenue to maintain the status quo of semi autonomy. Stansfield continues, “This mechanism was to be found in the relationship between the federal structure of Iraq and the management of the oil and gas sector.”

Essentially the mechanism would develop along the lines of Kurdistan contributing a designated amount of production to the overall output of the Iraqi oil and natural gas exports and would receive an agreed upon amount of remuneration. However, this reliance on oil sales created a rentier state and a new set of challenges and opportunities for Kurdish development. A rentier state is one that derives the bulk of its revenues from the rent of natural resources to external sources. In Kurdistan’s case, like

26 Gareth Stansfield “The Unravelling of the post-First World War state system? The Kurdistan Region of Iraq and the transformation of the Middle East.” *International Affairs* 89 vol. 2, 2013, (Blackwell Publishing Ltd, Oxford UK), 272

many Middle Eastern countries, the natural resource is oil. When a state is deriving its revenues in this matter, it is not reliant on taxation to support the government, in fact citizens of rentier states share in the profits, at the least by way of little or no taxation, and in some cases by way of cash payments. The downside of the rentier state is not only the obvious economic correlation between oil market prices and the ability of the state to support itself via potentially unstable revenue. As Hossein Muhdavy writes in the Patterns and Problems in Rentier States, “the oil revenues received by the governments of the oil exporting countries have very little to do with the production processes of their domestic economies. The inputs from the local economies – other than he raw materials – are insignificant.”28 That last sentence is crucial, this paradigm not only minimizes economic development outside of the main rent context, that is the oil industry; it involves only the extraction of a raw material limiting the technology and workforce to a specific area. Politically, the state is not reliant on the citizens for support, its interests lie with the external customers who purchase the oil, and the corporations who extract the oil. This is not a fatal economic condition, however the state must be proactive with rent revenues, investing them into areas outside the rent industry, such as education, agriculture, communications infrastructure as well as national and local transportation infrastructures. These will serve to strengthen the economy and catalyze sustainable development.

In Kurdistan, several issues would be roadblocks to sustainable development across a broad spectrum of the economy. Per World Bank data, government employee

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compensation was 36.6% of the budget by 2013, rivaling the 37.5% budgeted for projects and reconstruction. Their political position requires them to maintain a strong military which requires a significant portion of revenue as the ever-present possibility of war is a defining part of their existence. They must be strong to survive. Furthermore, massive government revenues led to a large increase in government jobs, this was exacerbated by the still internally divided Kurdish government. Despite showing a unified front, internal rivalries catalyzed reward jobs, given as rewards to citizens for political support. This issue of political corruption has created backlash in Kurdistan, leading to the creation of the Movement for Change, or the Gorran Party, which is gaining political momentum in the Kurdish Parliament with each election.

The private sector also grew in Kurdistan in the post Saddam Iraq. Per joint World Bank and KRG data, the number of private companies registered with the KRG rose from “7,440 in 2008 to 13,216 in 2011 and to 20,994 in July 2014.” This shows a near tripling of private sector companies in six years. Furthermore, World bank date indicates that “of 20,994 registered firms, only 2,822 are foreign firms.” This is an 86.6% majority for local private economic concerns. Internally this growth has been concentrated in the Erbil governates, where 63 percent of local companies are based as well as 74 percent of foreign companies. KRG-licensed investment projects between November 2006 and September 2014 were estimated to be $41.2 billion; local investment comprising of 77% and foreign

31 Ibid
direct investment and joint ventures at 23%. We can see in the chart to the left that reflective of the concentration of companies in Erbil, a large portion of the investment has gone to the Erbil governates. 33 This investment has been distributed to industry and housing predominantly. The domination of housing development is further highlighted by the fact that housing projects were frozen by the KRG in 2012 amid concerns about a clear strategy in the sector and increasing housing speculation. The heavy investments in tourism represent the stability of Kurdistan during this time, a period of conflict for the rest of Iraq as well as the middle East in general. What the graph also show however is low investment in areas that would precursor sustainable growth, health, education, agriculture, and communications. Without these, Kurdistan would be susceptible to market changes that would directly affect the rent revenues that were sustaining the economy. That is not to say that such development endeavors are ignored, nor are they local and international nonprofit agencies play have played a continuing role in the development of Kurdistan. Their efforts are overshadowed on the world stage by the continuing conflict over power and oil that dominates the region, which simultaneously is the catalyst for the international support.

However, oil prices remained high and Kurdistan’s growing reputation as a lucrative investment location began to pay off. The government helped facilitate investment with the Investment Law of 2006, which offers tax and customs exemptions for 10 years starting from the date of providing services by the project or the date of actual

33 Ibid
production. However, Kurdistan performs more poorly than Iraq on the labor market, financing conditions, and infrastructure.\(^\text{34}\)

Kurdistan’s oil and gas strategy came to fruition in 2011, just as American troops were preparing to withdraw from Iraq and leave a newly formed Iraqi government in place. In October of that year Exxon Mobil, signed production sharing agreements with the Kurdistan Region, which included production from Kirkuk and other disputed areas of control. This was significant not only in the potential revenues but it showed the increasing stature of Kurdistan in the international community and would lend legitimacy to Kurdistan’s territorial claims as well as independence. Exxon Mobile’s confidence was contagious; by July of the following year, Chevron signed contracts, followed by French oil company Total at the end of July and Russian energy company Gazprom Neft in August.\(^\text{35}\) While the companies themselves do not hold political power per se, their countries of origin, the United States, France, and Russia are significant power brokers on the international scene and broadened the scope of Kurdistan’s political development. Due to this increased foreign investment and inventible political entwinement, as Stansfield puts it, “the future of the Kurdistan Region will begin to rise up the agendas of foreign services across the world… The question of oil exports from the region, sitting as it does on significant and impressive reserves, and exercising de facto if not de jure sovereignty

\(^{34}\) “The Kurdistan Region of Iraq: Assessing the Economic and Social Impact of the Syrian Conflict and ISIS” World Bank. 2015.
\(^{35}\) Gareth Stansfield “The Unravelling of the post-First World War state system? The Kurdistan Region of Iraq and the transformation of the Middle East.” International Affairs 89 vol. 2, 2013, (Blackwell Publishing Ltd, Oxford UK), 273
over its territory, will now begin to take on a new dynamism.”\textsuperscript{36} This vigor would hold out in the face of new conflicts and old, but not in the face of a depressed oil market.

\textsuperscript{36} Gareth Stansfield “The Unravelling of the post-First World War state system? The Kurdistan Region of Iraq and the transformation of the Middle East.” \textit{International Affairs} 89 vol. 2, 2013, (Blackwell Publishing Ltd, Oxford UK), 273
Kurdistan’s new contracts with international oil companies and the far-reaching possibilities they represented did not go unnoticed in Baghdad. The end of 2011 saw the withdrawal of US troops from Iraq and the full acquisition of power by the newly minted Iraqi Parliament. Southern Iraq had been plagued by Sunni – Shia violence and this violence would soon grow into civil war in the power vacuum that occurred upon US withdrawal, as well as the rise of an organized and armed Islamic State, bent on re-establishing a Sunni Caliphate. Immediately however, problems with the mechanism for the export of Kurdistan’s oil and gas came to the forefront. The Iraqi government chose not to facilitate payments for exports to the IOCs, and by the end of 2012, these exports were negligible. This obviously inhibited Kurdish economic plans, but also was an implicit statement regarding Kurdish political status from Baghdad, that they were the arbiters of Iraq, and Kurdistan was part of Iraq. This reaffirmation of power through economic means forced Kurdistan to focus on establishing a mechanism of sales that was independent of Baghdad. This issue would be a thorn in the side of Kurdistan’s long term economic independence and sovereign aspirations.

As with the OFFP in previous years, Baghdad held the strings by which Kurdistan’s oil revenues would be processed and paid. Baghdad facilitated Kurdish sales and payments on exports through Baghdad, as part of the overall output of the Iraqi economy, but recognized that economic independence would help solidify political independence, a less than desirable outcome for the Baghdad government. Turkey saw

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37 Ibid, 274.
opportunity to expand its power in this situation. A long term and often violent relationship exists between Turkey and the Kurdish people, but Turkey’s lack of its own oil reserves and geographic positioning to supply gas to Europe would dovetail with KRG plans to increase oil outputs to 1 million barrels per day by 2015. The KRG also set ambitious goals for this period; including reducing the unemployment rate from 17 to 4 per cent, creating 100,000 jobs a year and achieving an average annual GDP growth rate of 8 per cent, that would include agricultural sector expansion of 15 per cent, manufacturing by 5 per cent and tourism by 7 per cent. By mid-2012, As Baghdad’s strategy became apparent, the KRG began to export oil to Turkey, first via tanker truck, and by 2013 via a pipeline. A proposed Turkish pipeline to supply Europe with natural gas, Nabucco, would create an instant market for Kurdish natural gas, but it has been held up by international concerns voiced by Russia and Iran, concerning Iran’s participation in the pipeline as a source of the natural gas. Again Kurdistan is a useful pawn to the western interests, this time providing the threat of an alternative to economically suppress a non-Western political rival.

In contrast to the rest of Iraq, Kurdistan remained stable and growing posting 12% increase in GDP in 2012. Perhaps because of this stability, it was here, beginning as early as March 2011, that the civil war in neighboring Syria began to spill over into Iraq as refugees fleeing the growing conflict in Syria fled their country to Kurdistan. As Kurdistan’s economy continued to grow, it absorbed the initial refugee population with

39 Ibid
assistance from the UNHCR and associated agencies. The flow would continue unabated, increasing daily as the war in Syria continued.

As previously indicated, the economy of Kurdistan continued to grow, posting double digit gains until the price of oil began to fall from over $100/barrel to below $60 in June of 2014. This was a significant blow to oil revenues worldwide, and prices continued to drop hitting a low of $35 a barrel in December of 2015. In Kurdistan, the KRGs oil selling mechanism with the central government again became a point of economic and political contention. Kurdistan’s portion of the federal budget was tied to contribution to national oil sales through the central government, and the government began to withhold payments to the KRG with accusations of not meeting production agreements and selling the oil meant for these quotas to Turkey via their direct pipeline. The KRG denied these accusations and a stalemate ensued. Considering the KRG’s large public sector, this lack of revenue led to unpaid government employees, from teachers, to bureaucrats, and the Peshmerga military as well. That these employees, especially the Peshmerga who put their lives on the line, would continue to perform their jobs without pay speaks to a belief in Kurdistan that goes beyond immediate needs or rewards. This issue remained stalemated until a 2015 United States brokered agreement between the two factions was thought to have resolved it. However, this agreement fell through with accusations of underpayments from the central government to Kurdistan and renewed objections to Kurdistan’s independent oil sales. This interruption in payments from SOMO (XXX), represented a decrease in revenues from $12 billion to $1 billion.
The Shia led majority government in Baghdad faced a growing Sunni insurgency that was fueled by the neighboring Syrian civil war and violent divisions between the two primary Islamic sects. The Syrian war features a similar dichotomy between an Iranian Shia supported Assad regime and an opposition that was becoming increasingly dominated by a Salafist Sunni element, radical in its religious beliefs and political aims. This group became the known as the Islamic State, tracing their leader’s heritage to the bloodline of the Prophet Mohammed, and laying claim to a renewed Caliphate in January of 2014. As the Islamic State began to make territorial gains in Iraq and Syria, US trained Iraqi troops ran from IS engagements leaving war materiel in the field for the Islamic State to claim and become increasingly strengthened. Kurdish Peshmerga forces, seasoned by years of war footing and emboldened by the KRG’s rising strength, as well as United States Special Forces, entered combat again, knowing their own survival and hopes for sovereignty were again tied to violence.

The rising violence and the merging of the conflicts in Syria and Iraq increased the flow of refugees to Kurdistan as well as an increasing number of IDPs from parts of Iraq controlled by the Islamic State. By May of 2014, 223,113 Syrian refugees were registered or awaiting registration by the UNHCR in the Kurdistan Region, which amount to 97% of the Syrian refugees in Iraq.\(^{40}\) Joint World Bank and KRG cost estimates for the stabilization of these displaced people in Kurdistan was $1.4 billion in 2015.\(^{41}\) By May of


2016, the number of IDPs from southern Iraq and Syrian refugees combined reached 1.8 million, a 28% increase in Kurdistan’s population. While the KRG is managing the influx with due diligence, an increase in population of that magnitude is a burden to the already empty coffers.
Conclusion

The intersection of development and self-determination in Kurdistan brings new opportunity to study this intersection and how economic and political empowerment of marginalized people must go hand in hand to be sustainable. In Iraq, Kurds were oppressed for decades under oppressive Baghdad regimes that actively and tacitly suppressed their culture and therefore their right to self-determination as individuals and as a demographic group. This is directly tied to the division of Ottoman territories by Western actors. The modern nation of Iraq is comprised of groups that have become enmeshed in a nation that was socially constructed with little regard to the inhabitants. The Kurdish people were particularly affected by this as their culture was divided between four nations, forming a minority that resisted assimilation into the social constructs, and strove to have agency in their development. Instead they were marginalized, oppressed, and denied their right to self-determination. The marginalization of the Kurds served to galvanize Kurdish dreams of their own nation, and when opportunity presented itself, to exercise their right to self-determination and development in the pursuit of that dream.

Development actors that have operated in Kurdistan have been prevented from providing aid that was not approved by the national government, even the UN acknowledged the primacy of the national government in Baghdad over the Kurdish government in Erbil during the Oil for Food Program, which allowed the export of natural resources from Kurdistan in return for food aid. These resources were firmly in Kurdish hands, yet their sale was ultimately arbitrated by the national government, not the Kurdish government. This is a repeating and increasingly prohibitive condition that has been used
to economically suppress growth in Kurdistan, who physically control and are maintaining and improving the infrastructure to harvest and export the vast oil and natural gas resources located in Kurdistan. By denying Kurdistan the revenues from these resources, they are denying Kurdistan the ability to provide for its citizens. This is a violation of the social contract that the government in Baghdad holds with the people of Kurdistan, lending credence for their desire for independence.

This control mechanism of the means of Kurdish self-governance in the hands of an Iraqi government that has yet to prove its ability to govern southern Iraq is questionable when looking at the stability of Kurdistan after an initial period of civil conflict. Since then Kurdistan has been a growing and vibrant parliamentary democracy, with the two parties that dominated the political landscape losing their duopoly, creating a climate of empowerment and political competition for votes, thereby encouraging their voices to be heard. In contrast the Baghdad government has been violently divided along religious lines and unable to maintain control in the face of insurgency and immersion in external conflict.

Conflict was at the foundation of Kurdistan, by serving Western interests in the Gulf Wars the Kurds established autonomy for themselves. This is notable, as it was Western interests that created the boundaries that divided the Kurdish people and denied their right to self-determination. While conflict may have catalyzed their development, and continues to provide opportunity for cooperation with Western nations and lend credibility to increasing Kurdish sovereignty it is a drain on economic resources that could be redirected to development projects. As the conflict with IS in Iraq winds down and peace is
restored in Iraq, the reconfiguring of the economy from war footing to economic growth is essential. Kurdistan has proven that given opportunity to control their own resources and direct their own development, they are more than capable of successful development.

This success has almost guaranteed a demand for an answer to the question of Kurdish sovereignty in Iraq. The non-binding referendum in 2014 was overwhelmingly in favor of independence, and a new referendum was planned for 2016, but was postponed due to the ongoing conflict against the Islamic State. This postponement will not last. In early 2017, the Islamic State is being driven from Mosul, their last major stronghold in Iraq. The liberation of Mosul and the defeat of the Islamic State will without a doubt create a demand from the citizens of Kurdistan for a referendum to determine their future. Unfortunately, though they are the primary stakeholder, the arbitration of Kurdish sovereignty does not lay in democracy alone. Ideally from the Kurdish, their political development of a democratic state, and their proven economic record would create the international backing to allow for full independence but that remains to be seen. Additionally, the Kurdish state that has congealed in northern Iraq has less than a quarter of the world’s Kurdish population, what would an independent Kurdish state in Iraq mean to them?

Lastly, in the two historical examples mentioned in the introduction, Turkey and Israel, neither was the result of a referendum or economic success. Both nations were born in through a violent expression of self-determination, and created oppression and marginalization in the areas that they claimed. Turkey’s genocide of the Armenian people during the rush to maintain national borders is well documented, and the conflict between
Israelis and Palestinians continues to the present day. This cycle of violence can be avoided in Kurdistan. The right to self-determination has long been denied to the Kurds, and yet they have persevered and flourished, adapting to changes while maintaining their own identity. Their inclusion in socially constructed nations was forced on them, their continuing growth and prosperity speaks to the proven ability to govern themselves though the establishment of a social contract with a government that they have chosen, whose policies and interests will benefit Kurds.


