

The Role of Hydrocarbons on the Political Status of KRG

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ABSTRACT

Since the end of the Cold-War, many de facto-states have come into existence after 1990s. Many of them gained international recognition as sovereign legitimate states but others remained as de facto-statehood without recognition. The Kurdistan Regional Government-Iraq (KRG) is among these de facto-states with a government and military capability established since 1991. Throughout this period, the KRG has tried to build pillars of a sovereign state without officially declaring independence. The KRG as a de facto-state is the outcome of external intervention in Iraq on the consequences of Gulf war in 1990 that led to withdraw Iraqi military forces from the Kurdistan region.

This argument is based on the implications of exploitation hydrocarbons on the foreign relations of the KRG in post-2003 Iraq. The significances of exploring natural resources in Kurdistan region is quite important and affected the legitimacy of the KRG among the international community. The Kurdistan Government is sitting on a large amount of hydrocarbon resources that could be enough for a de facto-state to break the traditional boundaries of sovereignty and mutual recognition. The term functional government has been strongly linked with economic power of a state, and it could be sufficient to pave the way for expanding further political power. This study would argue that the KRG is able to influence the political sensitivities towards the Kurds movement in the Middle East positively by taking advantages of the economic tools they are obtaining.

Keywords: KRG, hydrocarbons, de facto states, Iraqi government, foreign relations.

ÖZ

Soğuk Savaşın bitimi ile 90-ların sonlarında bir kaç fiili devlet meydana gelmiştir. Bu devletlerden bazıları uluslararası tanınma kazanarak bağımsızlığını sürdürürken diğer devletler bu hakdan yararlanamamış fakat fiili devlet olarak kalmıştır. 1991-den beri mevcudiyetini sürdüren Kürdistan özerk bölgesel yönetimi kendi hükümeti ve askeri gücü ile bu fiili devletlerden biridir. 1990 senesinde çıkan Körfez Savaşının sonucunda Irak askeri güçlerinin Kürdistan bölgesinden çekilmesi Irak'a yapılan dış müdahale ile Kürdistan özerk bölgesel yönetimi fiili devlet olarak ortaya çıkmıştır.

Bu söylev 2003 sonrası Irak'da bulunan Kürdistan özerk bölgesel yönetiminin dış işlerinde hidrokarbon kaynaklarının tüketilmesi üzerine kurulmuştur. Kürdistan bölgesindeki doğal kaynakların keşf edilmesi bu bölge için büyük önem taşımakla beraber, uluslararası toplumda Kürdistan özerk bölgesel yönetiminin yasallığına da büyük etki ediyor. Kürdistan hükümetinin sahip olduğu büyük miktarda ki doğal hidrokarbon kaynakları bölgenin karşılıklı tanınmayı ve alışa gelmiş yasal sınırları ezip geçme gücüne sahiptir. İşlevsel karakterli dönemsel hükümet devletin ekonomik gücü ile son derece kuvvetli bir şekilde bağlanmıştır ve bu da ilerideki siyasi hayatının daha da güçlenmesine neden olacak kadar etkilidir. Bu çalışmanın tartışma konusu Kürdistan özerk bölgesel yönetiminin sahip olduğu ekonomik gücü avantaj olarak kullanması ile Yakın Doğuda ki kürt eylemlerine karşı oluşan siyasal duyarlılığa etki etmesi üzerine kurulmuştur.

Anahtar kelimeler: Kürdistan özerk bölgesel yönetimi, hidrokarbon kaynakları, fiili devletler, Irak hükümeti, dış işler.

DEDICATION

To Zamand & Anu

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LIST OF ABBREVIATIONS

AKP	Justice and Development Party (Adalet ve Kalkınma Partisi)
CPA	Coalition Provisional Authority
PKK	Partya Karkaren Kurdistane (Kurdistan workers party)
DNO	Norwegian Oil company (Det Norske Oljeselskap)
ISIS	Islamic State in Iraq and Syria
KDP	Kurdistan Democratic Party
KRG	Kurdistan Regional Government
MNR	Ministry of Natural Resources-KRG
PUK	Patriotic Union of Kurdistan
PYD	Kurdistan Union Party (Syria)
SOMO	State Organization for Marketing of Oil -Iraq-
TRNC	Turkish Republic of Northern Cyprus
U.K.	United Kingdom
U.S.	United States
UKEF	United Kingdom Export Finance
USAID	United States Agency for International Development

Chapter 1

INTRODUCTION

In the post-Cold War era, many states and de facto status have come into existence. And establishing these states is the outcome of the collapse of several authorities or they were established through external intervention. For instance, among these de facto states are; Somaliland in Somalia, Turkish Republic of Northern Cyprus (TRNC), Nagorno-Karabakh, Abkhazia and Taiwan. The term post-conflict state has been linked to some other concepts such as civil war, de facto states, contested sovereignty and unrecognized governments. The Kurdistan Regional Government (KRG) in Iraq is among those territories which established since 1991, who are seeking for international recognition. Following the national assembly elected in 1992. The condition in the Kurdistan region of Iraq was similar to a de facto statehood out of international sovereign legitimacy as a sovereign actor.

In 2003, since Iraq launched with the United States invasion to overthrow Saddam's regime, the Kurds benefited most from the condition. The Kurdish leaders strongly took part in the new government which was established following the invasion. But after several years disputes between the KRG and the Iraqi newly established government started over two main points; first, the disputes over the natural resource revenues and how to share the revenues and exploration, second, the tension over these territories located between Erbil and Baghdad which are known as 'disputed territories'. These two factors have pushed the two governments to face each other

politically and economically. On its side, the KRG started to explore and extract natural resources in the Kurdistan region without permission of Baghdad, in which it is constitutionally authorized for the central government to do. This thesis deals with the role of hydrocarbon resources on the KRG in its regional and international relations. In addition, it will examine the obstacles ahead for the KRG sovereignty. Since 2003, the KRG witnessed a visible expansion in economy. The economic boom provides political leverage for the Kurdistan region. In this respect, the KRG is attempting to consolidate the economic tools to influence Iraq and the wider region as a whole. This study will try to investigate the role of natural resources on the KRG's political position in the Middle East. Furthermore, this thesis is attempting to address the KRG's earned sovereignty in the regional and international arena. These issues and others related to the KRG's foreign relation and its unilateral movements in the hydrocarbon sector will be discussed.

First this thesis will try to address the issue of natural resources theoretically in the literature. Furthermore, the study illustrates the link between natural resources and the separatist tendencies within other nations. Moreover, it will discuss the additional concepts that help us to better understand how these tendencies are shaping the policies of governments in the post-Cold War period. In addition, through discussing the theoretical background of the separatist tendencies in the past, this study will establish a foundation for this research in the following sections that are related to the KRG policies in Iraq and the Middle East.

1.1 Questions and Hypothesis

1.1.1 Questions:

1. How have the foreign relations of the KRG been influenced by the increased production of Hydrocarbons since 1990?
2. To what extent has this solidified the sovereignty of the Kurds in northern Iraq?
3. How can the relationship between the KRG and the central Iraqi government be conceptualized?

1.1.2 Hypothesis:

My guiding hypothesis is that; the exploitation of natural resources in Kurdish Iraq has played a significant role in facilitating the functional independence and foreign recognition of the KRG as a legitimate sovereign actor.

1.2 Overview

This thesis will investigate the main aims behind the research questions and hypothesis. In Chapter one, the aim has to give a short definition for the issue and the relevant concepts in the literature. Then, the study will illustrate the theoretical framework and the applicable theory. In addition, the methodology, aim of the study and the limits of the research will be explained. In Chapter two, the focus will be on the notions and concepts of the literature on the subject. Following this, in Chapter three the author will examine the KRG's background since 1991 up to recent years. Furthermore, the Kurdistan government's background relationships will be discussed with neighboring countries such as Iran, Turkey as well as Iraq. The discussion also includes the international relations in general. In Chapter four, the emphasis will be on the outcomes and relevant consequences the main aim of the issue. It is important to understand the role of the KRG in the region, and to examine the role of

hydrocarbon resources and how it is reflective of the traditional framework of sovereignty.

1.3 Methodology

This research will utilize qualitative data collection tools on the literature of the KRG's foreign relations and unilateralism in economic policy. Qualitative data collection through primary source documents such as the official website of KRG, Ministry of Foreign relations web site and constitutional documents as well as secondary documents related to the historical background of the phenomenon under the study. In addition, this thesis will present some quantitative data in Chapter four (and other parts) regarding the ratio of oil reserves and exports. It will also demonstrate comparisons of the KRG with other countries in the region and the world, concerning the domestic security level in numbers. Subsequently, the conceptualization would examine the writings of academics and experts on the subject. This method provides enough understanding to study the phenomenon in different ways. This research will present the explanatory case study to answer the main aim of the thesis which is foreign relations of the Kurdistan region and its behavior in the international relations. The explanatory research design is based on cause and effect relationships among the variables that assess the main aim of the research questions as well as the hypotheses.

What the study is looking for are the reasons behind the improvement of diplomatic relations and economic boom in the Kurdistan region in recent years compared to the past? Moreover, the study will look for evidence to explain what is happening behind these phenomena and have consequences for the wider region? Through analyzing these data, find the answer to this question will become clearer.

In this respect, the variables are dependent and independent. The dependent variable is manifested in the KRG's foreign relations as an energy player that is affected by other independent variables such as natural resources and the implications of KRG-Iraq relationship as well as bargaining with regional actors. These variables play a role on the KRG's unilateralism in its behavior as a de facto state since its establishment. This study is based on explanatory observation of the facts on the ground. There are varieties' sources utilized to shed light on the evidence, which can be found in; journals, articles, books, interviews, web based resources, documents and the official website of the KRG.

1.4 Theoretical Framework

For both scholars and non-scholars, frequently having control over hydrocarbon resources is a "top value" for separatists, governments, terrorists and other groups who were seeking more power. They both claim that a territory or region with high reserves of natural resources is conflict prone. The main works of Collier and Hoeffler suggests that civil wars are the outcomes of the desire of autonomy for separatist groups and rebels. Due to this, the groups will launch attacks against the central government, if they think that they can benefit from the action by gaining access to resources independently (Collier, P., & Hoeffler, A. , 2004, p. 564). The two aforementioned scholars' emphasis that territories well-endowed with hydrocarbon or natural resources are more prone to conflicts. Furthermore, Collier claims in his work that the emergence of separatist Scottish aspirations in the 1970s was the outcome of owning a vast amount of minerals and other resources that may increase an ethnic or religious groups' drive for independence (Collier, 2003, p. 60). Related to the mushrooming of tensions in Iraq between the Kurds and Arabs

towards 'grievance' description, they put the Kurdish unilateralism in the framework of separation ambitions.

Moreover, it is clear that the KRG's unilateral steps to both control and use its natural resources in the region and the disputed territories, is due to increase power over revenues. However, the greed thesis is insufficient to explain the unilateralism of the Kurds. Indeed, unilateralism cannot bring any probable better outcomes for the Kurds in the near future. In addition, the Kurdistan region has not become a main energy player yet.

The short term calculations for the KRG's benefits have been passed adversely. Since, Collier claims that "countries with a very high dependence on natural-resource incomes have a relatively lower risk of conflict". But the situation in Iraq questions this claim. To better understand and explain the KRG's unilateralism starts with the new literature on natural resources and identity.

Empirical studies based on civil wars and conflicts in territories that are endowed with natural resources, determines that the struggle over resources in most of the cases is the result, not the cause of disputes and wars. In addition, numerous of scholars argue that there has been a link between natural resources and identity. Moreover, Elliott Green indicated that the Scottish desire for separation could be noticed during the 1960s, one decade before finding hydrocarbon resources in the north of the region (Green, 2005, p. 11). Aleksii Ylonen in the study on South Sudan and Darfur indicated that only historical analysis can describe civil wars over natural resources (Ylonen, 2005, p. 134). Edward Aspinall by applying the greed thesis, focused on the conflict between separation movements; Acehnese and the central

government of Indonesia. Additionally, he stated that the leader of the Indonesian separatist group in the 1970s was keen to cooperate with the central government due to their interests in the revenues of the oil fields (Aspinall, 2007, p. 963). It was in a time when Islamic identity was an overriding force in the society of Acehnese, but the grievance by the central government formed after the emergence sense of identity for Acehnese as well as separation. This movement in Indonesia linked natural resources with their identity and put the Indonesian control over their natural resources as a notion “Javanese colonialism”. In her study, Emily Meierding indicates that the invasion of a natural resource-generating market by states; is similar to prevent oil production. These invaders are more probable to engage with corruption and resistance in their attempts to occupy the oil production.

The KRG has not like an official sovereign state, but it has military capability with a wide range of autonomy. These are turned the linkage into two-equal government or at the minimum level to state-government relations, between Kurdistan government and Iraqi government. The study of Meierding, grounded on diverse conflicts concerning overtaking oil reserves. She was indicating that there is no justification for applying the greed thesis to the movements of the KRG. In addition, inter-linking the grievances with oil-identity relationships is unique to evaluate the role of oil in the tensions between the Kurds and Arabs. The grievances of the Kurds have dates back to the creation of Iraq in the first-quarter of last century with regard to the central government’s behavior towards the Kurds. Yet, the Kurdish government wishes to cooperate with the central government in other areas. To better understand the Kurdish unilateralism and the role of oil in the contemporary disputes, precisely falls into the notion of sovereignty “contested sovereignty” and the consequences for the international community. Hence, KRG from the beginning was contested until

now. However, if not explicitly the KRG has intended to seek legitimacy as a sovereign state. Neighboring countries and the international community have had antagonistic perceptions towards the KRG. In fact, the previous understanding has continuously threatened the existence of the region. Due to this, in the absence of international legality, the KRG has frequently confronted the threat of forced reintegration with Baghdad or destruction. Stephen Krasner's definition of sovereignty is useful. For Krasner there are four uses for sovereignty; domestic sovereignty, interdependence sovereignty, international legal sovereignty and Westphalian sovereignty (Krasner, 1999, pp. 10-11). The domestic sovereignty works when a player successfully protects its territorial and internal affairs. The interdependence claim when the actor has such control over cross border movements. The international legal sovereignty is referring to common recognition among states or between states and other entities. In addition, the Westphalian sovereignty indicates that the states' ability to secure the domestic authority from external actors.

In this respect, if we apply the four aforementioned kinds of sovereignty, it is argued that the KRG has achieved the domestic, interdependence and Westphalian sovereignty, due to what has existed on the ground in the region. The only sovereignty missing is international legal sovereignty. Additionally, to deny the international legality, it has attempted to challenge the other parts of its sovereignty. It was not just a membership in the international community; it was denied autonomy over territory. Related to this, there are other unrecognized entities such as; Nagorno-Karabakh, Turkish Republic of Northern Cyprus, Abkhazia, Taiwan, Somaliland. These territories face constant legitimacy issues, as such "self-justification becomes a foreign-policy priority, reflecting both the lack of confidence in the state itself and the perceived skepticism or in-difference of the outside world?" Both scholars

Caspersen and Bartman have claimed that to manage such a crisis, these units assert the existence sovereignty they earned to utilize for international legitimacy. To satisfy other actors on their de facto position, they are always dependent on the domestic sovereignty and the capacity for acting separately without international recognition (Caspersen, 2008, p. 114; Bartmann, 2004, pp. 14-16). The concept of 'earned sovereignty' covers widespread elements, which was developed in the post-Cold War era by progressive developments. It was the outcome of the growing influence to regional security and maintains local stability. The de facto states follow such a common method to improve earned sovereignty by demonstrating they hold democratic credentials. During the post- Cold War era, these contested states argued that they were embracing multi-party election campaigns with a liberal attitude, constitution and promoting individual rights as well as liberal economy openness and the protection of women's right and minority rights. These elements have been true for the aforementioned entities such as; Nagorno-Karabakh, Turkish Republic of Northern Cyprus, Abkhazia, Taiwan, Somaliland. In addition, it has also true to apply these elements to the KRG, it could protect the tolerance nature and emphasizing the democratic measures, with regard to KRG, it was embraced the first democratic election despite the challenges. Furthermore, the KRG took several practical measures to include women and minorities into the political system. Hence, any other notions to KRG by itself are exaggerated.

However, democracy is insufficient to improve standing in the international relations. But economic improvement has the main role in the notion of earned sovereignty. This argument supported by Kolstø and Blakkisrud study in which they indicated that these entities or sub-states are trying to stress their economic leverage

to the international community for their sovereignty (Kolstø, P., & Blakkisrud, H., 2008, p. 485).

This is due to the refusal of recognition from some entities obtaining a poor economic leverage. In addition, it has demonstrated for the sub-state populations that if they could gain independence then the government has the capability to provide them with income and jobs. Since the formation of Iraq, oil has been the main income of the state. The KRG has sought to control the oil fields in the Kurdistan region as associated with domestic sovereignty. It is true that the KRG is not an exception; most of the studies in this field demonstrated that groups or contested states come to associate their natural resources with independence as a symbol, far from the financial interests. Moreover, it is not just oil and other hydrocarbon resources that give the states a symbol of independence aspiration. There are other sources that assist the same purpose. For instance, Norway's government refused to embargo whaling in the waters belonging to them, because whaling for Norwegian people is linked to their sovereign rights and tradition (Halverson, 2004).

The Kurds unilateralism means that the KRG trying to link the association between the Kurdish natural resources with sovereignty. So that, the KRG by taking control over its natural resources, even in the disputed territories is attempting to improve domestic sovereignty for those states who are involved with the issue such as Baghdad, Ankara and Tehran or other regional and international actors. The independent legislations are more than any other steps facilitated for KRG to gain its autonomy from Iraq. It was not just true in the case of natural resources; the KRG's autonomous legislation in several other aspects used to emphasize the Kurdish authority over other parties in the Kurdistan region. The PUK indicated that in other

less controversial aspects such counterterrorism legislation should justify the Kurds unilateralism, by suggesting the uniqueness of the KRG in their region associating with the Kurdish identity.

The KRG's unilateralism and its assertion of independence were protested by Ban Ki-Moon the Secretary General of the United Nations, when the tensions between Baghdad and Erbil increased over the disputed territories, as an assertion of sovereignty in the region. The Kurdish leader's excellent justification for taking control over oil and other natural resources is the controversial Article 155 of the Iraqi constitution, which was always perceived by the KRG as a guarantee for their actions. In this respect, the KRG's aim in reasserting the control over oil is to prove for the international community the possible prospects for Kurdish independence. In doing so, regardless of the oil revenues, signing contracts with the oil companies emboldened the KRG. After the deal with Exxon Mobil was affirmed, Barzani stated that in an interview, if Baghdad does not change its attitude towards the region, we would consider separation.

1.5 Aim of the Study

The aim of this study is to question the KRG's unilateralism regarding natural resources and extracting oil independently. The KRG's position in the 1990s was unclear. During that time, the internal war in the region between the two main parties and intervention in the domestic issues by the regional countries was the main concern of the parties inside the region. The two main parties PUK and KDP consolidated their power in two distinct territories in the region. Following this, after several clashes between PUK and KDP, they came to negotiation and reach an agreement in 1998 in Washington under the administration of the United States

(Makovsky, 1998). The two parties joint in a unified government (KRG). In addition, after the process of liberating Iraq in 2003 from the Baath party, the KRG's role started to emerge as a formal constitutional actor within Iraq.

This study, will try to focus on how the KRG as a non-formal internal actor consolidating its economic power and has led to improve bilateral relationships with the regional and international actors. It is clear that, the Kurdish unilateralism as a dependent variable was influenced by other independent variables. This thesis will address how the natural resource as an element (independent variable) changes the behavior of a non-state actor (KRG) in the past decade. Despite dealing with natural resources, which are the main aim of this study, there are other variables that have effect on KRG unilateral behavior such as regional issues, ISIS, historical background and the international condition. The research aims to fill the gap in the literature seeking to understand which method of pursuing international legitimacy actually strength KRG's foreign relations. To what extent has the KRG succeeded in achieving the goals and aims in various perspectives of scholars in this field.

It will be satisfactory for this research to come out with an argument on the KRG's unilateral relations notion in the regional and international level with sovereign states. In addition, building multilateral ties by Kurdistan region with the most powerful states to strengthen as well as influence the decisions made by the external actors in regard to territorial issues. In this respect, the study will illustrate that the economic power and economic interests will shift the prevailing habits of international actors.

In this sense, the thesis focus will be on how the economic relationships shifted diplomatic and political relations by KRG. Since the extraction of oil and exporting hydrocarbon resources, the political and diplomatic ties made the political structure more complicated in Iraq as well as emboldened the role of the KRG in foreign relations. All these issues will be discussing in the following chapters to grasp the outcomes.

1.6 Limitations

There are some obstacles ahead this research. It is quite obvious that dealing with a de facto state such as Kurdistan Regional Government is difficult due to concerning with uncontrolled variables that the thesis trying conduct it. Politics in the contested de facto states changing over time and there is not a long-term constitution or electoral system to measure the reliability of the political structure and their economy. In addition, there are intervening variables to the structure of the research, in which appearing in time and disappear in another time. For instance, conquering large part of the Iraqi territory by the ISIS 'Islamic States of Iraq and Syria' suddenly, affected the KRG's priority from expanding its economic leverage to engage in war with ISIS. On the other side, the fluctuation of oil-prices will also make it difficult for the research to forecast such accurate study for the issues and developments. It is worth to mention, the lack of enough reliable literature on the KRG unilateral steps in the foreign relations field is another issue.

Chapter 2

LITERATURE REVIEW

2.1 The Term of Post-Conflict State

The concept of post-conflict according to Brinkerhoff means that the violence and battle have come to an end throughout the country or a territory in the recent time (Brinkerhoff, 2005, p. 4). In addition, Sambanis and Doyle described “no peace is perfect. Public violence ... never gets completely eliminated. ... We should thus consider peace to be a spectrum ranging from insecure to secure’. The literature on conflict is wide and complex (Doyle M. & Sambanis N., 1999, p. 1).

Since the end of the cold war until nowadays, the world witnessed emerging states. In addition, the world community has struggled to arrange those cases of statehood that manifested itself in unpredictable ways. Specifically, the international community has been concerned with what types of governments are established in these new de facto-states. The new established governments are multi-dimensional and various by the variety of the international organization and powerful states due to the collapse of former authorities in such territories throughout the world. While these attempts were not fruitless for the donor states institutions, and led to rebuild a kind of new democratic governments in these territories (d'Aspremont, 2008). In contrary, there are some failed efforts to rebuild governments as a consequence of violent conflict following the post-Cold War era. The ‘failed states’ would present a threat and insecurity to the democratic world order. These attempts could be seen by

the international community as an exercise in the process of state-building such as East Timor under the patronages of United Nations and the international involvement in Afghanistan to become a critical experiments for broader attempts by the international community. Failed states and non-failed states are two other notions relating to the ability of governments to provide individuals and citizens with economic and physical security (Barbara, 2008, p. 307). According to the United States Agency for International Development (USAID) there are types of the failed states; failing, failed, fragile and recovering states based on the performance of the states (Brinkerhoff, 2005, p. 4). In addition, the failed states can be distinguished from other states by; 1) the state is unable to control the institutions and lack of use legitimate force over its citizens and protect them, 2) the inability to react for the citizen needs and public services as well as promote economic activity, 3) lack of credibility at the international level and suspicious about representing the whole citizens within the boundaries (Thürer, 1999; Milliken, J., & Krause, K., 2002, p. 761; Rotberg, 2002, p. 88). The term failed states has been applied to many cases to describe the failure of such authorities, such as Liberia, Somalia understood from the Hobbesian anarchic clash of all versus all. There are many other examples around the world where the state cannot provide the social welfare and security of its citizens. Yet it becomes difficult to distinguish the failed states from other states that are suffering from poor economic and institutional weaknesses (Brinkerhoff, 2005, p. 4). Furthermore, the interventions by the international community in the failed states are based upon the sovereignty of the failed sates in the post-conflict state formation (Barbara, 2008, p. 308). In this respect, involving the international organizations or the collective action by individual states in the issues of post-conflict states are

connected directly to the absence of any kind of obligation to compel these new states to be a democratic unit (d'Aspremont, 2008).

Several quantitative studies prove that civil war in the post-conflict states occur mostly due to such indicators related to geographical and other physical interpretations, namely, the low income of individuals, protection by external security promises, mountains, exporting a large amount of natural resources with low economic growth (Collier, P., Hoeffler, A., & Söderbom, M., 2008, p. 464). The low per capita and slow economic growth both encourages the rebel groups and allows them easily to recruit troops at a very low cost. In addition, the mountains will offer these groups with a safe haven to actively move and arrange themselves, while the security commitment may discourage the groups within states because it will lead to limit the prospects of their success. Furthermore, credibility regarding the natural resources is important to the rebel groups. Finally, military spending has an effective role and risky in post-conflict states as a group of people may not feel safe under such circumstances (Collier, P., Hoeffler, A., & Söderbom, M., 2008, p. 464). In addition, Collier in his study 2003 described that there are much less relationship between religion and ethnicity to civil war than commonly believed. Furthermore, societies in a mixture and high diverse of ethnicity and religion are much safer than homogenous societies. But the economic characteristics as Collier indicated matter more than has been commonly defined. In the case of a country's economic decline, the wealth of natural resources offers the rebellion groups and the local population incentives to demand separation (Collier, 2003, p. 4).

In the case of Iraq, the powers attempted to establish a new government that represented the whole Iraqi community in post-2003. The first step, the interim

government was established from a combination of all the religious and ethnic groups of the Iraqi society component. The Security Council of the United Nations under resolution 1546 in 2004 indicated the necessity holding a democratic election and ending the Coalition occupation (United Nations Security Council, 2004). In the same year, the Coalition occupation of Iraq ended and replaced by the Coalition Provisional Authority (CPA). The CPA administered Iraq until the establishment of the transitional government in 2005, by the democratic election. Although, the transition process could not ease the violence easily, it was manifested as a similar practice to the cases of East Timor, Bosnia and Kosovo (d'Aspremont, 2008).

In this respect, the failed states provided the international community with a green light to intervene and apply development theories. Furthermore, to have more legitimate leverage in the post-conflict state, the international community sought to acquire more legitimate laws to greater influence failed state-sovereignty. To rebuild the economies in the post-conflict states, it has been manifested in the central principles of neo-liberals such steps as free trade, capital freedom, priority of private sector and free market (Barbara, 2008, p. 310). These steps were applied by the United States to Iraq in the post-2003 reconstruction, in terms of a 'wish list' for the Multinational Corporations and investors as a comprehensive and rapid agenda for the liberalization of the economy (Barbara, 2008, p. 310).

In the next section the study will try to illustrate the contested sovereignty and the functions that make a state reliable.

2.2 Contested Sovereignty

The term contested sovereignty which directly relates to the de facto states is quite common to use after the end of the Cold War in the 1990s. The collapse of the Soviet Union and the invasion of Kuwait by Iraq have led to the creation of several de facto states. Many of them achieved international recognition and some of them remained as non-recognized actors in the international community. For instance, the unrecognized states; Somaliland in Somalia, Biafra in Nigeria, The Turkish Republic of Northern Cyprus (TRNC), Eritria in Ethiopia and Taiwan in China (Voller, 2012, p. 58). All of these actors came to appear after the collapse of states except two cases TRNC and KRG which established through the external intervention by other states.

For addressing contested sovereignty first is to define the concept of sovereignty. According to David Strang sovereignty depends on the state's ability to achieve recognition from the sovereign states according to the Westphalian agreement. Such states recognize each other by referring to the textbook criteria, if there is a region with a population and a stable authority to rule the territory (Strang, 1996, p. 23). Charles King demonstrated that the secessionist groups during the 1990s after the cold war become 'state builders' in the 2000s, establishing de facto states that have armed forces, rule their own territory, educating children in their language and their economy has been developed much better than some recognized states (King, 2001, p. 525). The Montevideo Convention in 1933 on the function states has indicated that; "a functioning government, permanent population, territorial boundaries and capacity to enter relationships with other actors in the international society". The notion of functioning government refers to the Weberian concept of domination over coercion in a territory, ability to provide basic services to the population and collect

taxes (Voller, 2012, p. 59). In addition, Pegg suggested domestic sovereignty exists when the de facto statehood accepted by the population and represent all of them. A formal declaration for Pegg is essential to define an actor as a de facto state. While, later on, Pegg repealed this notion and argued that an actor can be defined as a de facto state without declaring independence officially (Voller, 2012, p. 60). In addition, Caspersen brought the notion of earned sovereignty that is the outcome of the successive exercising authority over the territory and the state-building process (Caspersen, 2008, p. 127). On the other side, promoting democracy in the post-Cold War era becomes the main element for de facto states to attract and improve good governance for the international community (Voller, 2015, p. 613). Moreover, in the case of Kosovo, the United Nation committee conditioned the recognition by promoting 'good governance'. In this sense, the unrecognized de facto states attempting to attract the sovereign states by providing elections and a multi-party system and the citizen rights in the framework of democracy. As Zeynep Kaya indicated the recognition of an actor or not in the form of statehood or autonomous sovereignty depends on the geostrategic realities and economic ability (Kaya, 2015, p. 23). The economic capacity for the de facto unrecognized state is important to strengthen the ties of sovereignty and bilateral relationships with the outside world (Kaya, 2015, p. 23). In other scholarly literature, these de facto states with contested sovereignty have been perceived by the international community as puppet-states. In, most of the cases to remain in a de facto status they are working for the interests of external powers (Voller, 2012, p. 61). But some scholars demonstrated that in order to theorize the concept of unrecognized statehood you might face difficulties and there are limitations ahead. Gareth Stanfield and James Harvey illustrated that the nature of these unrecognized states are sophisticated, they depend on 'patronage

systems' and it seem authoritarian in their nature but pretended to hold the strategies of democratized countries to gain international legitimacy (Voller, 2012, p. 61). In addition, both aforementioned scholars specified difficulties ahead for the unrecognized states that manifested in the domestic and regional implications as well as the historical contexts. Most of the contested states pretend themselves to behave as sovereign states, but in reality they never become a sovereign legitimate state, despite the chances and opportunities. Thus, there are ambiguities to the term de facto statehood, whether it could embrace different entities and in different ways that relate to the notion of "robustness and flexibility". The key solution to this problem might to perceive secession as a motivation driven by the leadership of these sub-states. By turning the discussions from theoretical perspectives to the origins of the Kurds autonomous region in the following section, the subject might be better understood.

2.3 The Origins of the Kurdish Autonomy 1970

The Iraqi Kurds never had such a comprehensive autonomy that they accomplished in the "Manifesto of 11 March 1970". This agreement came into existence between the Kurdish movement and the Baath party after a long struggle by the Kurds demanding self-administration in northern Iraq. The declaration of the Manifesto was a big shift for the Kurdish movement in Iraq, which officially recognized the Kurdish language and nationality beside the Arabs in Iraq (Jawad, 2008, p. 30; Yıldız, 2004, p. 18; Marshall, 1991). In addition, the Kurds have to present a candidate for the vice-president and also according to the Manifesto education in a Kurdish language should be implemented in the territories that hold a majority of Kurds (Yıldız, 2004, p. 19). This settlement boosted the Kurdish demand and aspirations of nationalism as well. The first stages of the Manifesto implemented that related to nominating the

candidates for the cabinet under the presidency of Ahmed Hassan Bakir and his deputy Saddam Hussein (Voller, 2012, p. 119). As a consequence, the Iraqi administrative authorities left the region for the Kurdish leaders to fill the vacuum and establish their own local administration self-rule. In 1972, due to not implementing the agreement appropriately, each one of the two sides accused each other not stand up with the Manifesto. The lack of mutual trust in both sides rose after rejecting the Kurdish candidate for the position of vice-president (Elis, 2004). Forcing the Kurdish population in the contested territories of Kerkuk, Ninawa and Diyala provinces to leave these territories and move them to the three major Kurdish cities in the Kurdistan region, was known as the “Arabisation process” (Elis, 2004). The Kurdish authority suggested a detailed plan for Baghdad in 1973; as a road map for the structure of the Kurdish autonomy and the Kurdish representatives in Baghdad and the National Assembly (Voller, 2012, p. 122). The Kurds and Arabs have to be equal in the country in orders and rights, with establishing the local legislative authority for Kurdistan region which should be elected through the direct election by people (Jawad, 2008, p. 31). According to the central governments’ perspectives, the local administration of the Kurdistan region in that time was perceived as a part of the Iranian axis backed by United States and Israel (Jawad, 2008, p. 31; Gunter M. M., 2004; Elis, 2004). In 1972 Iraq signed the fifteen years friendship with Moscow (Marshall, 1991). Based on this development, the United States and Israel through Iran supplied the Kurds with weapons to counterbalance the Soviet’s proxy in Iraq (Natali, 2010, p. 26). Moreover, these supports by the United States and other countries in the region empowered the local autonomy of the Kurds and increased self-confidence to confront Baghdad in any potential engagement that might occur (Marshall, 1991; Yıldız, 2004, p. 26). Mutual suspicious started between

both sides and consequently they launched several clashes between the Peshmerga forces and the Iraqi military (Voller, 2012, p. 125). The Iraqi government asserted that the Kurdish leaders did not have legitimacy to run the region because they did not respect other minority rights as well as other Kurdish opposition inside the Kurdish autonomy.

After four years from the Manifesto, in 1974, the Iraqi government declared unilaterally autonomy law for the region, in which it was empty from the any real autonomy for the Kurds (Yıldız, 2004, p. 19). Meanwhile, the Kurdish leaders rejected the proposal and indicated that they would declare independence by nominating the ministers for the regional government as a preparation for establishing autonomous administration (Yıldız, 2004, p. 20). But one year later, the ceasefire broke and the two sides engaged in war. In 1975 the Iraqi government made an agreement with the Iranian leader Shah Pahlavi in Algeria, which was known as ‘Algerian agreement 1975’ to end the role of the Kurds in Iraq and cut Iranian as well as Western support for the Kurdish movement (Jawad, 2008, p. 32; Gunter M. M., 2004; Elis, 2004). In the post-Algerian agreement, the Kurdish authority was obliged to flee to Iran and leave its autonomy due to not having any other choices except accepting the reality. The Manifesto of 1970, gave the Kurds political leverage in Iraq for any potential struggle by the Kurds in the future. It was a base line for the later Kurdish de facto autonomy in 1991 as a consequence of Kuwait war and American operation against Iraq in the same year. The Algerian agreement buried the Kurds dreams in that time but the Manifesto itself was a big-push to develop the Kurdish issue, which was not to accept less than full autonomy in future. Based on this, the Kurds demands rose from self-rule administration to federalization and finally to secession from Iraq after the end of the Cold War.

2.4 The De Facto KRG

Most scholars and academics indicated that the Kurdistan Regional Government relations with Baghdad fall into complicated integration post 2003 in Iraq. This complication goes back to the creation of Iraq in the 20th century. In addition, the Kurdish language officially recognized in Iraq during the 1930s and after the revolution in 1958, the Kurds were recognized as a second nation in Iraq (Natali, 2010, p. 13). In the 1970s, the Kurds could gain autonomy four years under the Baath party rule (Marshall, 1991). After the invasion of Kuwait in 1991 the Kurdish cities in the north of Iraq witnessed an uprising, in the same time, all the majority Kurdish cities fell under the control of the Kurdish parties in that time. Then, the government and national assembly of Kurdistan region was established which was similar to a quasi-state inside the Iraqi borders. Furthermore, the no-fly zone was provided by the Security Council of United Nations (Natali, 2010, p. 32). This safe haven encouraged the stability of the region and development. The process of invading Iraq in 2003, created a recognized federal system for the KRG that was welcomed by the world community. But the competition over oil and other natural resources has always been a core component of dispute between the central government in Baghdad and the KRG. As Yaniv voller stated the disputes between the two governments has grounded unilateralism for KRG regarding the oil extraction and exploitation in the contested territories such as Kirkuk, Dyala and Mosul. Unilateralism has been demonstrated in the hydrocarbon legislation and signing oil contracts productions with multinational energy institutions. Most scholars have motivated on focusing the consequences of the KRG unilateralism either on the integrity of Iraq or oil exporting capacity for the region. Little, efforts has been done to explain the bases of KRG policies. Most of the interpretations have followed the claims that KRG's desires to

control over the oil fields are to gain access to the strategic locations of hydrocarbon revenues. Moreover, this development has the role in facilitating for further Kurdish unilateralism (Voller, 2012, p. 68).

The KRG's first hydrocarbon project was during Saddam's rule in 2002 where the KRG was invited to sign contracts with small energy companies. But after the new constitution post-Saddam's regime, the KRG had comprehensive multilateral contracts with big international companies (Dargin, 2009, p. 3). The United States attempted to resolve the disputes between the KRG and Baghdad after 2005 by passing the new hydrocarbon law, but instead, the KRG in 2007 passed its own law to organize the signed contracts as well as the potential contracts in the future. The new law will permit more production and will give further unilateral advancing for the KRG (Ottaway, M., & Ottaway, D. , 2014). During the post- World War II period, all governments in Iraq followed the policy of excluding the Kurdistan region from any hydrocarbon extraction and investment, especially, the three major Kurdish cities, fearing that it will lead to increase the secession demands from Iraq. This perception directly or indirectly has been shaped the Iraqi's oil infrastructure at the beginning the 20th century until now. The Kurdish population never accomplished statehood; despite they constitute the fourth largest nation in the region (Katzman, 2010, p. 1). Following the Treaty of Sevres 1920 to decide on how to arrange the process of state-building following the Ottoman collapse, the Kurds built their hopes on the agreement due to the promises for creation a Kurdish independent state. But the Treaty of Lausanne in 1923 replaced the aforementioned treaty and instead divided the Kurds territory into four parts (Katzman, 2010, p. 1).

Following these matters above, the next Chapter will address the KRG since its establishment in 1991 after the Gulf war and the background relationships with regional countries and international countries.

Chapter 3

BACKGROUND RELATIONS OF THE KRG

3.1 Introduction

In this chapter the focus will be on a certain definitions for the KRG's relations and background policies since 1991. For a long time, having relations with the Kurdish entity and dealing with their political case were forbidden by the Iraqi government and neighboring countries. In contrast to the past, the regional implication put the Kurdish issue in front of the international arena. In addition, their relations with regional countries and the great powers were addressed again. In doing so, we will address the KRG's relations with regional countries such as Turkey, Iran and international actors. Furthermore, relations with Baghdad will be evaluated.

3.2 The KRG Background

After the establishment of the semi-autonomous region in the northern Iraq in 1991, the Kurdish leaders understood that unless they create friends and allies with the surrounding countries, their desire to control the region would be short lived and similar to the earlier unsuccessful efforts to establish an entity for the Kurds (Zulal, 2012, p. 141). To do this, they realized that making diplomatic relations and economic integration are vital for their existence, considering that the region economy is one of the fastest growing economy in Middle East since 2003 (Zulal, 2012, p. 141). Moreover, imposing a no-fly zone over the Kurdistan region gave the Kurds a de facto-government with an ethnic distinction, encouraged to ground a secure and peaceful region and to transfer this kind of stability to economic

improvement. The no-fly zone was imposed by United States, France, United Kingdom under the framework of the United Nations by using the Turkey's Incerlik military base (Ottaway, M., & Ottaway, D. , 2014). The no-fly zone condition was obliged the Iraqi forces to withdraw from the region to below the 36th parallel.

The United States backed the resolution of the United Nations Security Council 688 in April 5, 1991 to end the suppression of the former Iraqi regime on its own Kurdish population. All these actions followed the (Anfal campaign)¹ 1988, in which the casualties constitute more than 182,000 people from different part of the region and it was implemented in several steps (Charountaki, 2012, p. 186). The question here is; why the international community did not respond to the Baath regime in the Anfal campaign during Iran-Iraq war but they responded to Saddam in 1991 when invaded Kuwait? It was clear because most of the world powers supported Iraq against Iran in that time, but unwilling to allow Saddam to seize the Kuwait and potentially the Saudi Arabian oil fields. This kind of humanitarian intervention by the Western countries was noticeable transformation in a Kurdish history in Iraqi Kurdistan. In addition, the Turkish objective was to prevent refugee flows into its house and to secure its border with Iraq from groups such as PKK as well as to prevent a possible Kurdish state in the northern Iraq (Lindenstrauss, G., & Aksoy, F., 2012, p. 50). The Turkish Prime Minister Turgut Ozal (1989-1993) wanted to make acceptable relations with Iraqi Kurds in order to use them against PKK and to prevent their movement towards Turkey. In this respect, Ozal the Turkish prime minister provided

¹ Anfal campaign “The Iraqi Baath regime carried out military campaigns against the peshmerga and their supporters in the rural areas from February to September of 1988. Most of the men captured were collectively killed and hastily buried in mass graves, while women, children, and the elderly endured months of imprisonment. It was claimed that 182,000 people had disappeared during the campaign”. See Andrea Fischer-Tahir (2012) “Gendered memories and masculinities: Kurdish Peshmerga on the Anfal campaign in Iraq”

diplomatic passports for both Barzani and Talabani the two Iraqi Kurdish leaders (Sözen, 2016). Furthermore, Ozal's attempt by the end was to drag PKK into negotiation with Turkish government through the mediation of the Iraqi Kurds (Lindenstrauss, G., & Aksoy, F., 2012, p. 50).

Since the 1990s the Kurdish region has been governed by the two main parties, these parties until now are shaping the political system in the region. Patriotic Union of Kurdistan (PUK) and Kurdistan Democratic Party (KDP) was for a long time struggling for national liberation in the mountains of the Kurdistan region. In May 1992, the parliamentary election set the main parties in the position of governing, but in the same time they hoped to keep the real authority in their parties' hands. Based on their struggling background and areas of influence KDP extended governing through Erbil and Duhok governorates, meanwhile, PUK has influence in Sulaimani and after 2003 in Kirkuk which is the disputed territory between Baghdad and KRG. After the parliament election the two aforementioned parties gained 50 seats in total 100 parliament members and 11 seats for other minorities. Additionally, soon the ceasefire broke between the two parties over sharing power and tariff revenues, these crisis continued until 1998, the mediation by the United States they came to an agreement to setup a unified government and activate the parliament. Later on, PUK and KDP joint a government in Erbil the capital of Kurdistan region (Report, 2012). In addition, the KRG was about of drafting a constitution for the region before the clashes of the two main parties in 1992. But after 2003, the fall of Iraqi regime led the Kurds for regulating the internal affairs and the parliament could pass many laws for building the structure of KRG including foreign relations (Kinninmont, J., Stansfield, G. & Sirri, O., 2013, p. 19). Despite, the fact of founding ministry of foreign affairs and allowed to be under the director of ministerial rank, which it could

be a clear sign for preparation to independence. (Kinninmont, J., Stansfield, G. & Sirri, O., 2013, p. 19). In the following section, the KRG after 2003 and the fall of Saddam will explain more.

3.3 The KRG after the Invasion of Iraq 2003

After the change of regime in Iraq 2003, the two Kurdish leaders Talabani and Barzani emerged as a unified confront to represent the Kurdish demands to the governing council and later to the new government (Dargin, 2009). Instead declaring an independent state, the Kurdish leaders pressed ahead for developing the region economically and to defend the KRG rights from Baghdad. In doing so, the Kurds strongly participated in the governing council and drafting the new Iraqi constitutions in 2005 to protect the Kurds gains before and to achieve a highly autonomous path for Kurdistan region. As a result, after the vote for the constitution, it was pointed out by some scholars; the constitution was strongly influenced by the Kurds, if not dominated (Dargin, 2009). In Article: 1 stated

The Republic of Iraq is a single federal, independent and fully sovereign state in which the system of government is republican, representative, parliamentary, and democratic, and this Constitution is a guarantor of the unity of Iraq. (The Washington Post, 2005)

Furthermore, this situation in Iraq has created a second-de facto policy center in Iraq which targets to establish the region with institutionalize units (Kinninmont, J., Stansfield, G. & Sirri, O., 2013, p. 18). Iraq's story after the invasion starts with the founding of two quasi-states the first one looking for establishing an Arab dominated government in Baghdad with a significant participation of Kurds, on the other side, what the Kurds grounded in Erbil is the second part of the story in which referring to "another Iraq" with a little participation of the minorities Turkmens and Christians as well as with a wholly Kurdish dominated (Kinninmont, J., Stansfield, G. & Sirri, O.,

2013, p. 18). The KRG's missions directed to spread its influence and protect the existence of achieved agencies and develop them to manage diplomacy and the regional affairs. The Iraqi government now challenged by the regional government in Erbil, whereas, obtains a high autonomous authority since 2003.

Additionally, it is actively made various relations unilaterally with regional countries such as bilateral relation with Saudi Arabia, Turkey, Iran and other international actors (Salem, 2013, p. 20). After 2003, the Kurdish authority framed a body for their foreign relations and diplomacy to engage with the world, even though, they realized that it is not easy to implement this strategy with all of the restrictions ahead it (Kinninmont, J., Stansfield, G. & Sirri, O., 2013, p. 19). To regulate the body of foreign relations the KRG's Parliament has allowed the passing of many laws for the department of foreign relations, and it is important to know that the KRG has the intent to build diplomatic representation in numerous countries. Noticeably, these representations are accepted by significant countries such as the United States and United Kingdom (Kinninmont, J., Stansfield, G. & Sirri, O., 2013, p. 19).

In addition, due to the department of foreign relations of KRG, there are 27 general consulate, 6 embassy office and 7 honorary consul states of the countries representation in Kurdistan region (KRG, 2016). Worth to mention a number of these representations has not embassies in Baghdad. Despite the fact that, the Iraqi constitution 2005 clearly stated in Article 110:

The federation government shall have exclusive authorities in the following matters: formulating foreign policy, and ratifying international treaties and agreements, negotiating signing and ratifying debt polices and formulating foreign sovereign economic and trade policy. (The Washington Post, 2005)

According to the constitution, Iraqi embassies should allocate a department for the KRG representatives inside embassies but the reality is different, rarely is there KRG representation in the Iraqi embassies.

Post Saddam politics and the constitution of 2005 gave the Kurds significant political strength in Iraq and a close relationship with the United States. This political strength is perceived by the other Iraqi Arab leaders and the surrounding neighbor countries as a threat to the Iraqi integrity (Katzman, 2010, p. 5). As a sign of the United States respect of Kurdish support for the liberation of Iraq, the Obama administration has established the U.S. consulate in Erbil as well as there are other embassy offices in the northern Iraq; one in Kirkuk and another in Mosul (Katzman, 2010, p. 5). In addition, the KRG has repeatedly declared that they see themselves as part of Iraq as long as the state remains democracy, federal and pluralistic, but having an independent Kurdish state is a dream for all Kurdish residents in Iraq. It does not mean that Kurds in Baghdad did not play their role; indeed, they do serious work as government leaders, military commanders and sometimes they play as mediators between Sunnis and Shias in the Iraqi post-2003 government. Hence, the Kurds in Iraq are perceived as a distinct identity struggling for their rights since the history and in most of the cases played a neutral role between Sunnis and Shiites. Even if they have a significant role in Baghdad politically, specifically after 2003, but they never forgot the independent aspiration and manifesting themselves as a Kurdish identity. One clear example was the speeches president of Iraq ‘Jalal Talabani’ in the General Assembly of the United Nations in which he presented in both languages Arabic and Kurdish (General Assembly of the United Nations, 2011).

Despite their constructive role, the KRG and Kurdish leaders in Iraq, tried to take advantage of the high positions they have to enhance the KRG's ability over the disputed areas between central government and KRG (Report, 2012). These areas are rich in hydrocarbon resources and with a large proportion of Kurdish citizens. In addition, the Kurdistan region has a strong agricultural sector which is fed by several rivers comes from Iran and Turkey. But the efforts focused on extract vast hydrocarbon resources exclusively. In the following sections the study will discuss the wealth natural resources and their effects on KRG's relation with the foreign companies and states. On the other side of the issue, Kirkuk has become a flashpoint between the KRG and central government. Kirkuk sits on fields holding 15 billion barrels, compared to 115 billion barrels of the total Iraq (Dargin, 2009, p. 3). This city is located outside the Kurdish administration but within the historical boundaries of Kurdistan (Dargin, 2009, p. 3). Regarding this issue, the Iraqi constitution stated in Article 140(2) Iraqi government has scheduled normalization of the city and a referendum for indicate the future of the city and the surrounding environs, whether it become a part of the region or remain under direct control of Iraqi central government.

3.4 Relations with Baghdad

Relations with Baghdad have been always shaped by the KRG's desire to expand its autonomous region politically and relations bilaterally with regional countries and the world community (Policy Analysis Unit, 2014).

The fundamentals among these issues were over exploring oil and gas in the Kurdistan region as well as to define the disputed area as a part of the region or remain as part of central government including Kirkuk, Dyala and Ninawa. In

addition, the efforts by Baghdad to reduce the role of Peshmarga in the disputed territories before the Islamic State, in which these territories captured by KRG after the U.S. invasion 2003 (Policy Analysis Unit, 2014). After the U.S. withdrawal from Iraq in 2011, they left all the unresolved disputes regarding the country's governance, particularly, the unresolved issues between the federal government and KRG (Park, 2012, p. 112). Until now, the tensions over definitions of the disputed territorial areas have remained. Whereas, the new discovery of the oil fields near the disputed territories has increased the risk (Park, 2012, p. 120). Concerns have been sharpening by further determination of the KRG to pursue an independent energy policy away from the federal government persist.

Based on the constitution 2005, a referendum on the oil rich city Kirkuk which is inhabited by majority Kurdish citizens was to be held in 2007, but it was put off by the federal government (Kent, 2015). Another issue is that mutual suspicions covering relations between the two governments. Many Shia leaders in Iraq rejected federalism for Iraq and the energy policy for Kurdistan region, for these tensions, the KRG has never received their full share of the Iraqi budget, 17 percent since 2003 (Kent, 2015).

The down fall of Iraqi forces in Mosul in the mid-2014, allowed the Kurdish Peshmerga to fill the vacuum in the disputed territories between the two governments and to seize control over the oil fields in Kirkuk and other governorates in the south of the region. These advances by the KRG contributed to encouraging ISIS advance towards KRG close to Erbil, but the United States airstrikes starting bombing on August 8, 2014, and forced ISIS to relinquish Kurdistan territory.

The Islamic State now shares a long border with the KRG. The physical control of Kirkuk has been given more power to the Kurds in economic strength. In this respect, the president of the Kurdistan region has declared they are going to hold a referendum by the end of 2016 to indicate the future of Kurdistan region, but it seems to be on hold because of western disagreement. According to the Iraqi constitution 2005, KRG is permitted to have its own ground forces (Peshmerga), which are about 150.000 active forces, and about 350 tanks (Katzman, K. & Humud, E., 2016, p. 20). They are all under the control of the Ministry of Peshmerga Affairs and receiving their budget from the KRG. After the advances of ISIS the Ministry of Peshmerga Affairs had implemented a plan to reduce the numbers of its fighters to a smaller number but more active (Katzman, K. & Humud, E., 2016, p. 20). In this plan, KRG has benefited from the United States and European countries training camps in the region.

The mutual threat of the Islamic State for both governments in Iraq has not played a serious role to eliminate their disputes. Notwithstanding, ISIS advances in Iraq increased the Kurds demand for Kirkuk rich oil and asking to officially return back to Kurdistan, if it is happen, it will give the strong economic leverage to the KRG. However, these issues put aside after the physical control of the city by the region. The Kurds leaders have doubts about their influence in Iraq after the potential success of central government in its battle against the Islamic State.

Since the federal government has been failed to pass a law for exploring oil and other natural resources, in which the oil revenues make-up 90 percent of the Iraq's budget, KRG has passed its law for oil extraction and companies regulation in August 2007 (Morelli, M., & Pishedda, C. , 2014, p. 108). This issue becomes a component of

the future relations between the KRG and central government. This attempt made the KRG to sign unilateral agreements first with small companies but later with big companies for exploring oil and gas without listening to Baghdad's disagreement. For example, among these companies are; Chevron, ExxonMobil, Gazprom and Total. Baghdad as soon as rejected the KRG oil contracts, claimed that natural resource revenues must be for the whole people of Iraq, it could lead disintegration and civil war in the future of the country (Morelli, M., & Pischedda, C. , 2014, p. 109). In contrast, the Kurds were afraid of recentralize economy and government, fearing of the past violation, these issues and other assert the KRG president disagrees and attempted to unseat Nori Al-Maliki as a Prime Minister for his third turn (Morelli, M., & Pischedda, C. , 2014, p. 109). The central government has demonstrated that they sent 17 percent of the Iraqi budget for the region, but the KRG complains that they never received their share of revenues that Baghdad agreed on it before. To avoid this issue, the KRG demanded to found a mechanism for their share of budget such automatic allocation, despite this, there was no agreement to end this issue.

Issues between the two governments sometimes reached a point to mobilize tens of thousands of the security forces and troops' standoff in Kirkuk and the disputed territories (Morelli, M., & Pischedda, C. , 2014, p. 109). The region is now depending on their oil export from Turkey to reach the international markets. The previous agreement to share the Iraqi budget failed because the KRG has to pay for oil companies' handwork in the oil fields of the region. In addition, the KRG refused to send their oil to the Iraqi government national company (SOMO); it was the last agreement in September 2012. The KRG's oil has been sold in the fewer prices of the international markets, because the region has not a sovereign actor, the buyers

may face legal issues. Based on this, the oil is directly sold through Turkey by pipeline and small amounts by trucks are being exported to Iran (Morelli, M., & Pischedda, C. , 2014, p. 111). In this respect, Baghdad threatened Turkey and the international oil consumers of the KRG to take a legal action as Iraqi sovereignty had been violated. However, the KRG pursued further in its exporting of oil and some big companies showed their readiness to leave the Iraqi oil fields and work with the KRG, if Baghdad insisted on the claims. These tensions prove that the KRG and central government have never come to consensus on the disputes between them. Despite shifting several regimes and governments in Iraq, the issues remain.

3.5 Relations with Iran

Far from referring back to the historical background for the relation between Kurdish leaders and Iran, the relation has had its ups and downs. Since 2003, the two main political parties in Kurdistan region (PUK and PDK) pursued a strategy to convert the political relations for the national interests of Kurdistan region (Zulal, 2012, p. 150). KRG is a buffer between ISIS and Iran, after conquering Mosul ISIS in 2014 followed by taking other Sunni provinces; Salahaddin and Diyala (Chomani, 2015). Iran was the first country to assist the KRG after ISIS attacks on the Kurdish region. Additionally, Kurdistan is an important market for Iran's trade and exports. Since, the whole country is important for Iran to implement its regional rivalry strategy regarding Turkey and Saudi Arabia's leverage in Iraq and the Middle East as a whole. Obviously, the competition was on regional supremacy, if not religious ideology (Zulal, 2012, p. 150). The Iranians probable assessment is that the KRG might be an assist to any future threat by United States and Europeans. In addition, the threat concerns that in future the United States or might Israel use the Kurdistan region to any probable attack on Iran (Zulal, 2012, p. 151). Iran suspecting that, the

KRG has become a free empty space to Israeli agencies to operate under the guise of traders and businessmen in the region. In fact, the real threat is that the KRG would become a second de facto Israel for European countries and United States in the Middle East against Iran (Zulal, 2012, p. 155). But the officials in KRG wish to have a new energy contract with Iran, similar to the Turkey's energy contract. The problem is that, Iran does not want to be an independent energy partnership with KRG without the agreement of Baghdad to export its gas and oil (Chomani, 2015). The KRG-Iranian relationship might continue on this path. Nevertheless, supplying Turkey by gas and then to European market as well as the Syrian conflict in future might decide on the consequences of this relationship (Zulal, 2012, p. 151).

Regarding the political parties in the Kurdistan region, Iran has a strong political relation with the Patriotic Union of Kurdistan (Chomani, 2014). In addition, Tehran has also a friendly relationship with Kurdistan Democratic Party. In this respect, the Islamic Republic of Iran has strategic partnership with both two main parties in Kurdistan region (Soderberg, N., & Phillips, D., 2015, p. 28). Despite the concerns of regional and world powers, the KRG has announced that their export oil through Iran reached 50.000 barrels a day by trucks. This amount of oil has extracted from Sulaimani on the border of Iran to Bandar Abbas oil terminals in the south of Persian Gulf (Soderberg, N., & Phillips, D., 2015, p. 28). If the sanctions removed on Iran, the KRG may export more oil through Iran to the international markets. Furthermore, there are several border crossings from KRG to Iran such as Bashmakh, Haji Omeran, Raparin and Germyan. All these bilateral relations between KRG and Iran could expand further after lifting the international embargo on Iran (Soderberg, N., & Phillips, D., 2015, p. 28). Moreover, if the KRG reach an agreement with Iran to build its oil and gas pipelines, it will lead to the new geopolitical progress and will

challenge the Turkish agreement with KRG (Varol, 2016). In addition, Turkey might lose its leverage in Kurdistan and Iraq. Furthermore, instead, Israel has to find another source of supplement for energy. In the KRG perspective, if there is any restriction in future or the probability of preventing Turkish government to KRG's oil sale in Ceyhan port, they have to think of another way to export its oil and gas (Varol, 2016). However, Iran is more conservative in their relations with the Kurdistan region, and issues such conflicts in Iraq as well as the sectarian division among Sunnis, Shias and the Kurds may directly shaping the interests of Iran. Especially, any step by KRG to obtain more economy or political independent has to be discussing carefully. In the next section the study will provide enough discussion about the relationship between KRG and Turkey.

3.6 Relations with Turkey

Since the last decade, Turkish relations with the Kurdistan region has transformed positively. The Kurdish side in the past was feared Turkey's intervention in northern Iraq due to PKK activities in the mountains of Kurdistan region. However, these clashes and sensitive feelings were converted to strong economic relationship between Ankara and the KRG (Wood, 2015). Notwithstanding common suspicion, the rise of AKP (Justice and Development Party) in Turkey, as soon as the relations found its way. The rich-oil landlocked KRG became a ripe market for Turkey (Wood, 2015). The economic partnership between Ankara and Erbil increased to (\$8.4 billion) in 2012 (Invest in Group, 2013). This development illustrates the important relationship between them. The KRG intends to become an ally economically and politically to Ankara and they hope to make Turkey feel the logical behavior of embracing KRG, if not, the region may use by other regional powers to overthrow Turkey's interests in Iraq (Zulal, 2012, p. 148).

The rapprochement of Turkey with KRG reached an agreement to cut a deal in May 2012. The deal includes building two oil and a gas pipelines directly from KRG territory control to Ceyhan port on the Mediterranean Sea (Tol, 2013). Despite, the disagreement of Baghdad the project was taken one step further to expand the agreement. Moreover, the common interests between the two governments have been shaped by the private sector to build alliances. Today, the rapprochement between KRG and Turkey developed further than any predictions. This relation peaked when Turkey's Prime Minister Recep Tayyip Erdoğan in 2011 visited Erbil and welcomed by the president of the region (Zulal, 2012, p. 149).

The Kurds in Iraq are mostly Sunnis, and the political system is secular. As it was declared, the KRG Prime Minister indicated they are trying to be in a 'strategic partnership' with Turkey, and the relations are more constructive than it has been with the central Iraqi government. It is appear that the current president of the region Massoud Barzani is Ankara's leader of choice (Romano, 2015, p. 91). The question is; have Ankara become a real partner for Erbil? For many reason the relationship appears to a strategic alliance. The common interest seems likely strong as well as interdependence and shared respect is growing (Romano, 2015, p. 89). As Ahmed Sözen indicated Turkey and the Kurds should be natural allies and it is rationale for Turkey but there is a fear of there will be always a greater Kurdistan that covers a large part of Turkey (Sözen, 2016). In addition, Sözen demonstrated that Turkey has relations with Kurdistan region independently from central government; it is means that, in de facto, Turkey has relations with KRG as it is independent state and de facto situations might in the future turn to the legal situations (Sözen, 2016). Many experts have difficulty to believe such shift of axis. Turkey after its establishment in 1923 opposed any Kurdish movement and cooperated with the regional countries to

overthrow Kurdish movements. After the invasion of Iraq 2003, Ankara worried about that it will encourage the Kurds to secede from Iraq, nevertheless, Turkey's prioritize has been started to change after Recep Tayyip Erdoğan came to power in 2002.

However, the Turkey-KRG rapprochement has roots in the 1990s, where Turgut Ozal (Turkey's president 1989-1993) established friendly relations with both Barzani and Talabani the two Kurdish leaders as the study indicated before. But today's, this relationship has more advanced than before. There are two principles that show this strategic partnership; First, KRG has the ability to shift the internal power balance in Iraq in favor of Turkey and it is essential for Turkey's interests in Iraq. It is important, especially, Iran is growing influence in the region and Iraq (Lindenstrauss, G., & Aksoy, F., 2012, p. 54). Sean Kane stated "Iraq remains a regional playground rather than a regional player". And Iran hopes that Iraq remains as fragile state ruling by the Shiite majority. In contrast, Turkey would prefer the stronger and unified Iraq to counterbalance Iran with a balanced power among (Kurds, Sunnis and Shias) to guarantee the rights of Turkmen's minority. Secondly, Turkey has interest in the investment of Iraq's hydrocarbon resources (in both transit and consumer). In addition, Iran is concerned about growing oil export challenger (Iraq), and will not be satisfied with only its sphere of influence in the south of Iraq "One example of Iran's successful influence of Iraqi policies is the sympathy shown by al-Maliki to the Assad's regime and his avowed belief in the regime's ability to make reforms". In this vision, alliance with the KRG is important for Turkey (Lindenstrauss, G., & Aksoy, F., 2012, p. 54).

For Turkey, it is important that the Kurds are not seen as a harmonized enemy; instead commonly they are supportive of each other. Whereas, PKK and recently PYD (the Syrian Kurdish main party) are concerning Turkey's interests, on the other side, Ankara understood the geostrategic position of the KRG and the energy role that could be played by the administration of northern Iraq. Having access to KRG's hydrocarbon resources, for the first time, Turkey would be able to gain control over vast energy fields near to its border after the collapse of Ottoman's empire at the beginning of the last century. For Turkey it is unique to gain a deal with the Kurd's administration. It would be easy to increase the energy security considerably, by doing this; the geostrategic location of Turkey will strengthen. In this respect, this relationship is less than concerning the Kurds independence, but we can argue an equal partnership. In addition, while growing bilateral relations and agreements, Turkey will benefits from new export markets and the KRG welcomes development as well as expertise (Barkey, 2011, p. 664; Gunter M. M., 2011, p. 163).

It is not difficult to look for the answer of how have the contested sovereignty of KRG and its foreign relations been influenced by the production of Hydrocarbons? And how has KRG trying to find the way for independence? The KRG connections with Turkey and other countries are quite obvious, in fact, those connections would be fruitful when KRG is independent from Baghdad and become stronger partnership for neighbor countries (Natali, 2012, p. 111). Hence, instead tolerate the KRG's independent; the neighbors will support it, starting from the KRG's act on the regional and international sphere (Natali, 2012, p. 112). The geopolitical development will make us to argue that Turkey could much better with sovereign KRG rather than with a limited powerless region. Furthermore, Turkey understood that close ties with the independent KRG would open new opportunities for one of

the oldest problems regarding PKK issue and the newest challenge which is PYD federalism in Syria (Paasche, T. F., & Mansurbeg, H., 2014, p. 112). These positive calculations have encouraged Turkey to more foster KRG-state than a region. This argument has proven our thesis hypothesis and its robustness when it comes to a strong KRG with exploitation of natural resources has played a significant role in facilitating the functional independence and foreign recognition of the KRG as a legitimate sovereign actor. Having these kinds of strong relationship with Erbil also would give Ankara the probability of non-military solution to Turkey's internal problems (Paasche, T. F., & Mansurbeg, H., 2014, p. 120). The rapprochement between Ankara and Erbil is fruitful in the sense of bring PKK to negotiation and to withdraw some units in the south east of Turkey in May 2013 as a goodwill gesture (Morelli, M., & Pischedda, C. , 2014, p. 120). However, the negotiation slowly lost. Internally, AKP under the rules of Tyyip Erdogan benefited from relations with Barzani, who's stands constructive among the conservative Muslims in the south east Turkey and trying to turn this support for attracting Kurdish voters to AKP (Larrabee, 2016, p. 69).

Today, the Kurdistan region is one of the few neighbors in the Middle East that their relations remained straightly with Turkey, noticeably, Turkish relation with Egypt, Baghdad, Syria, Iran and all other neighbor countries are not in its position (Romano, 2015, p. 97). The worsening relations of Baghdad-Erbil in the past years came with deepening partnership with Turkey. Iraq in 2012 was the second biggest market for Turkey and 70 percent of this exchange was with the KRG as well as a half of foreign companies working in Kurdistan is belonging to Turkey (Morelli, M., & Pischedda, C. , 2014, p. 110). As Turkish council-general states "Our prime minister's vision is full economic integration. One day you will not notice the

frontier between Turkey and Iraq”. The Kurdish leaders regularly visit Ankara; the important among these is the Barzani’s participation in the general congress of AKP which has made a symbolic importance (Morelli, M., & Pischedda, C. , 2014, p. 110). Ankara’s allowance for exporting the KRG’s natural resources without the permission of Baghdad demonstrate that Turkey will not any more fear from in independent Kurdish State in the northern Iraq. In contrast, this relationship would give more opportunity to the Turkish Kurds to gain job easily and do not support Kurdish insurgency in Turkey (Morelli, M., & Pischedda, C. , 2014, p. 111). In the following section, the KRG in international relations would be examined.

3.7 International Relations

The KRG has been successfully developing its foreign relations that are fruitful and productive with the neighboring countries and the world (Mohammed, H. K., & Owtram, F. , 2014, p. 76). Among these relation are including; United States and European countries. In addition, the diplomatic efforts which established by the Kurdish leaders illustrates a clear vision of these developing relations. More obviously, over the last decade the Kurdistan region has made special bilateral relations with U.S, U.K, Iran, Turkey and several Arab countries (Mohammed, H. K., & Owtram, F. , 2014, p. 77). The invasion of Iraq in 2003, led to the confirmation of the new Iraqi constitution 2005. According to the constitution the KRG is a federal region recognized internationally and its language (Kurdish) confirmed officially throughout Iraq (The Washington Post, 2005). Furthermore, the relationship between KRG and United States as well as with the European countries indicates the degree of support for the region by the international community. In the same time, these relationships applied an extra shift for the Kurdistan region in its international relations, opposite to the past decades. In addition, the KRG has made a productive

relationship with Germany over the past two years, when the foreign minister of Germany visited Erbil three times. The last visit of Foreign Minister Frank Walter Steinmeier was on December 2015, accompanied by numerous German politicians (KRG, 2015). In the visit Steinmeier repeated their governments' support for KRG, and they insisted on military assistance for the KRG would a part of "larger political strategy". The Kurdistan region is vital for Iraq and the Western countries to fight against terrorism effectively in a wider region. However, the Iraqi government has not always been supportive to the Kurds in the battle against terrorism (Yildiz, 2012). The international community aid previously has focused largely to Kurdish population, and many times silent when the central government of Iraq used chemical weapons against the Kurdish civilians in 1988. In the recent years, Barack Obama and the previous secretary of state 'Hillary Clinton' both addressed the American policy towards Kurdistan region. In addition, the relation between the KRG and the European countries developed quite progressively, by looking at the uniqueness position with France and Germany (Yildiz, 2012).

Since federalism has been confirmed in Iraq post-2003, the KRG has very actively followed the international relations agenda. It is away from what the federal constitution gave to the region. The representatives of the KRG are welcomed by the international community and by the regional governments. When the president of the region visited Kuwait in 2006 welcomed in a royal manner. In addition, the former Prime Minister Barham Saleh surrounded by highest level of the Iranian government officials, when he visited Tehran (Danilovich, 2016, p. 100). Saudi Arabia and Lebanon were received the Kurdistan president and his Kurdish delegation by the formal invitation and they were welcomed by the Saudi King and president of Lebanon (KRP, 2015). On the other hand, the top officials of the diverse countries

pay attention for visiting Kurdistan. For instance, the U.S. former State Secretary Condoleezza Rice, Joe Biden vice president, former U.S. vice president Dick Cheney, Defense Secretary and Turkish Prime Minister, Minister of Interior and Minister of Foreign Affairs visited the region in the past years. Amir Musa, the secretary general of Arab League arrived in Erbil in 2011 (Ekurd Daily, 2011). It is obvious that the foreign officials of countries are concerning to deal with the KRG and promoting investment in commercial issues such investment in natural resources and construction projects. This will take part into KRG's international agenda. The KRG oil contracts are more than 40 contracts with companies from Canada, Turkey, U.S., South Korea, Russia, Australia and India (Danilovich, 2016, p. 100). The investments in Kurdistan region reached \$15 billion that comes from international countries. Approximately, there are 6.880 international companies working in the region, and 1,629 of them are heavily invested in KRG (Danilovich, 2016, p. 100). There are agreements in the scope of political, economy, cultural, social aspects. For instance, there are 73 memorandums signed in cultural and education between foreign universities, international institutions and KRG (Danilovich, 2016, p. 100).

Furthermore, the U.S. State Secretary of Trade and accompanied by high delegation of the cabinet visited the Kurdistan region to discuss the future plan for investment. Another significant deal was with Russia that concerns economic relations. All these activities on the regional and international arena demonstrate that the KRG has implemented a successful foreign relations strategy, despite many political and economic obstacles ahead the region.

3.8 Conclusions

Obviously, the KRG since its establishment in 1991 succeeded to promote diplomatic tools in regional and international relations. The fears of neighbor countries of the KRG were from expanding Kurdish autonomy in northern Iraq. These countries (Turkey, Iran and former Iraqi regime) encouraged and supplied the two main rivalry parties in Kurdistan to fight each other since 1990s during the internal war.

Iraq as a capable state in economic and military, failed to establish the sense of a nation-state within the Iraqi community throughout the history until now. Yet, Iraq as a post-conflict state was divided socially and politically into three groups (Shias, Sunnis and Kurds). The Kurds could gain more opportunities to achieve what they struggled for in the past. Nor more the traditional boundaries of sovereignty make a serious issue for the units within a 'sovereign state' to act and utilize the tools of foreign relations in the international system. In the case of the KRG, the behavior of the region accepted as a norm in the international relations. This study has proved that units in the post-conflict states are acting in the international arena without having sovereignty. KRG by implementing a kind of bilateral economic policy enabled to ground acceptable foreign relations with international community.

Chapter 4

FROM THE BACKGROUND OF RELATIONSHIPS TO BUILD THE PILLARS OF STATEHOOD

4.1 Introduction

In this chapter, we will discuss how changes in internal and regional dynamics influence the foreign relations of the KRG. In the case of the KRG, it has been trying to consolidate and empower itself to further unilateralism regarding its contested sovereignty. In addition, the focus also will be on the role of natural resources in the KRG's economy and its implication on bilateral relations with regional countries. How does economic leverage affect the KRG? How do the norms of the international relations influenced through bargaining with sources of energy policy? This chapter will emphasize the contested sovereignty of the KRG after a harsh dispute over energy policy between Erbil and Baghdad after 2003. It will illustrate how the KRG has avoided the legal actions of central government in the international courts as a result of implementing independent oil policy.

4.2 The KRG and Advancing Towards the Oil Disputed Territories

How the relationship between the KRG and the Iraqi central government has been conceptualized. Most important for this research here is the period following the rise of ISIS in 2014, because it gave the KRG the opportunity to take over these territories that were disputed between the two governments since formation of the new Iraq. Moreover, expanding the land and controlling these territories that are rich in hydrocarbon reserves assisted the KRG in gaining more political and economic leverage among the neighboring countries and the world. However, conquering

Mosul by ISIS presents the Kurdistan region both a risk and an opportunity (Filkins, 2014). The terrorist militias which are known as ISIS in June 2014 entered Iraq coming from the Syrian Desert. This extremist group took control of Mosul the second-largest city in the country, as the official army fled and the local government collapsed (Filkins, 2014). The KRG took advantage of the chaos in the territory, and advanced more towards the areas that were regarded as disputed territories between Kurdistan region and central government. By having taken control of these huge lands, Kurdish independence seemed more plausible. Furthermore, the places seized by the KRG included vast reserves of gas and oil, and will give the Kurds more economic strength in the future (Figure 1: shows the territories that KRG seized after the fall of Mosul).

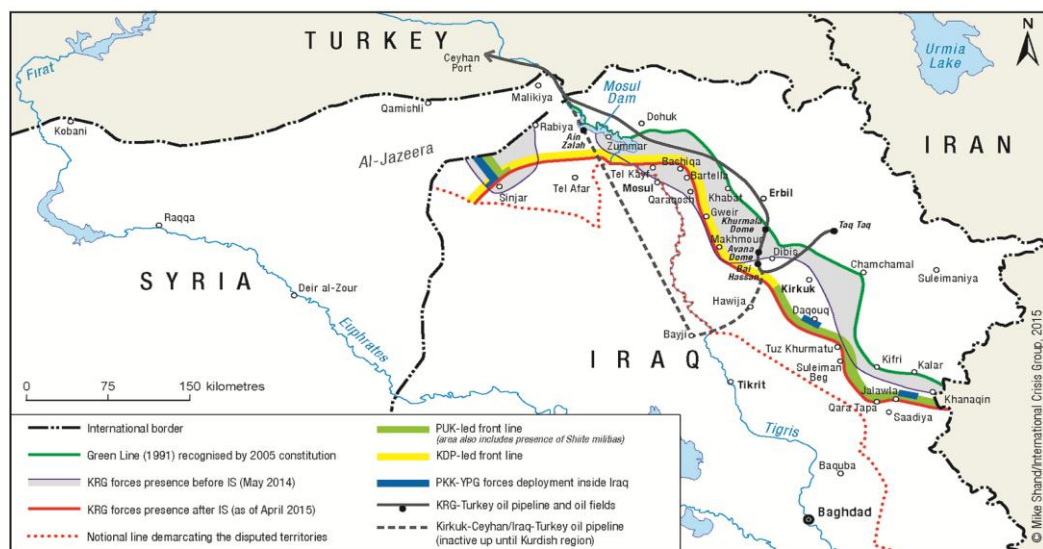


Figure 1: KRG advanced more towards the disputed areas

Barzani the president of Kurdistan region in July 2014, asked the Kurdistan Parliament to start preparations for arranging a referendum and self-determination for Kurdistan region. “The time has come to decide our fate, and we should not wait for other people to decide it for us” Barzani said (Filkins, 2014).

Moreover, the probability of direct military intervention by neighbor countries become out of the question, due to receiving Western military support and alliance (Tanchum, 2015). The Kurdistan leaders know that the implosion of Syria and the emergence Islamic State changed the policy of Middle East in unpredictable methods. The ISIS offensive in the Iraqi Kurdistan launched a major battle pushing back the Kurdish Peshmerga towards Erbil the capital of KRG (AL-Akhbar, 2014).

These events sparked the regional and international community to gather and provide the KRG with airstrikes by the United States and ammunition by several European countries to claw back these areas from the terrorist groups (AL-Akhbar, 2014). It was for the first time, the Kurds received military aid publicly from the Western countries, which was always been a concerning point in the past and a controversial argument for the international community (AL-Akhbar, 2014). In the other side, Iran offered its readiness to support the government in Iraq, and it was the first country to supply the Kurdistan region with military aid for countering the Islamic State in Iraq and Syria. In addition, Iran sent Baghdad military advisers and ground troops as well as airstrikes, but of the Iraqi officials denied it, despite evidences of Iranian involvement on the ground (AL-Akhbar, 2014).

Despite the risks, these implications are productive for the KRG. The United States and other Western countries initiated direct martial collaboration with Erbil. In 15 August 2014, the military equipment arriving at Erbil from the most powerful states including United States, Britain, Germany, France and other European countries (AL-Akhbar, 2014). Currently, the KRG has autonomous defense cooperation with the Western and unlike before will not sacrifice its opportunity for statehood.

4.3 KRG's Hydrocarbon Contracts and Oil Extractions

The Kurdistan region has been trying to create a favorable environment for a stable investment policy. It is trying to attract foreign companies' investment, in order to initiate a strong partnership and bilateral relations with surrounding countries. However, through the policy of open borders for investment, the KRG intends to turn the neighboring countries into friends, which were quite hostile adversaries in the past (Zulal, 2012, p. 143). For instance, Turkish companies are about to cover 55 percent of the total foreign companies working in the region (Zulal, 2012, p. 143). This kind of economic partnership affected bilateral relations between Ankara and Erbil positively and diminished the sensitivity that it had before. The KRG's economy prior to the ISIS; depended on the share of oil and other natural resources in Iraq (Park, 2012, p. 120). Nevertheless, this dependency has not minimized the tensions between the KRG and central government. The KRG wishes to be able to rely on its natural resources from the newly developed fields in the region. This process is part of the KRG own legislation dating back to 2007 (Park, 2012, p. 120).

In economic terms; oil and gas are the most important sector in the economy of the Kurdistan region. The estimated amount of oil reserves, from recent reports by the American geological study, the region holds 45 billion barrels of oil and 60 trillion cubic feet of gas reserves (Zulal, 2012, p. 144). In this respect, standing on this amount of hydrocarbon reserves and these new discoveries will place Kurdistan on the top ten countries for hydrocarbon reserves, bigger than Libya (Zulal, 2012, p. 144). Through explaining how KRG would benefit from this amount of hydrocarbon reserves, it is understandable to find the answers of our research question which is; to what extent are KRG's foreign relations being solidified by oil production?

When Iraq was liberated in 2003 and the Baath party fell by Americans, the rapid increase of oil price in the last two decades, and understanding the resource scale of reserves in the region, the KRG started to grasp its economic and political leverage in the Middle East (Zulal, 2012, p. 144). Unlikely, issues over power sharing and who has the rights to the hydrocarbon revenues were directed the two governments into many problems. Until now, the federal government is missing the hydrocarbon law, in 2006 the federal parliament failed in several attempts to pass the law, which was about arrangement who has the rights to extract and export natural resources and sharing the revenues, but still the law is in a draft and it has to be passed by the Iraqi parliament. The most disagreement points was on who would be able to grant contracts, and issues relating the fate of existing contracts as known PSCs (production sharing contracts) which was signed by KRG and it became the main disputed point for the federal government. Accordingly, the federal authorities have pointed out to put all the companies in a black-list that are wishing to enter the KRG's oil fields (Zulal, 2012, pp. 144-145).

The first international oil company entered the region for exploring natural resources was DNO date back to 2004. In 2007, it was widely expanded, the number was increased significantly and huge number of oil blocks has been discovered by global companies and dared to invest in KRG oil fields. Up to 2012, there were 48 signed contracts between KRG and 32 international oil companies operating in the region (Zulal, 2012, p. 145). Meanwhile, the KRG insists to expand the export via Turkey, it has also benefits for Ankara, if an independent Kurdish States in the northern Iraq created. The KRG's natural gas would provide a reasonable price for Turkey and reliable supply to ensure Turkey's economic growth and less dependent on Russian

natural resources and Iran. In this sense, Turkey has played a serious role in solidifying foreign relations of KRG.

There are about 1200 companies from Turkey involved with the economic boom in the KRG, and after Germany, the Iraqi market contains the second largest Turkey's exported goods. Approximately, \$12 billion was the Turkey's exported proportion goods to Kurdistan region in 2012 (Tanchum, 2015).

In addition, the American company ExxonMobil in December 2011 entered the oil market of the Kurdistan region, which regarded one of the biggest oil companies operating around the world and exploring six blocks in the region (Zulal, 2012, p. 145). Furthermore, working with ExxonMobil for the KRG was a great confidence that encourage other big oil companies to enter the market. Having Exxon Mobil on the ground will support the regional government politically and reduce the threats on the other companies largely (Zulal, 2012, p. 145). The region has the possibility to become a reliable and important energy source, as more oil fields has been discovered. In addition, initiating foundation for oil and gas in the Kurdistan region; will play a serious role in the region's foreign policy as well as the Kurds to further unilateralism in their policy abroad.

At the beginning of the process, the Kurds in Iraq needed assurance from Turkey's goodwill to assist the KRG, on their side; Turkey announced that they will cooperate with the companies that are trying to build the Erbil-Ceyhan pipelines (Baram, 2015). As Bill Park (2012) stated the aim of Ankara is not concerning to build oil pipeline, but they want to be a main partnership in trading and business. The causal relation between the richer Kurdistan and Turkey leads to increase the volume of

business partnership is true for both sides (Park, 2012, p. 121). However, Baghdad continuously declared to have the sole right on oil contracts throughout the Iraqi border, but sitting on these amounts of natural resources with increasing Turkish demand for energy will push the two side to develop their bilateral deals. The Turkey's need for oil is around 700 thousand bpd and this amount could be met by the northern pipeline of Iraq and the Kurdish oil exports (Mill, 2013, p. 58). Turkish government realizes that allowing the independent export of oil and natural resources to KRG is a provocative move. Even it might face a strong opposition inside its own party AKP. In addition, the most striking point for Turkey is KRG's gas reserves and now they are in the position of negotiation to make deal and aggregate with other supplier such as Russia, Azerbaijan and Iran to direct it for the European Market. It is perceived as an essential support for the Nabucco pipeline in which it was intended to the European countries. Furthermore, Turkey recently is in progress to build the Trans-Anatolian pipeline that could supply the central and south-eastern Europe which is more probably Italy. Hence, the Kurdish gas would achieve a significant leverage for the European countries and for the KRG.

The energy nexus in the Kurdistan will indicate the future relationship between Erbil-Baghdad and Erbil-Ankara. Separate from Turkey, due to some measures, Iran will not reject the potential Kurdish statehood, if not going to support it (Tanchum, 2015). There were an agreement between Iran and the KRG to build two pipelines for oil and gas to export hydrocarbons from Iran to a Persian Gulf in the late of April 2014 (Tanchum, 2015). In this sense, Iran will accept the KRG's bilateral relationships away from Baghdad, as a new level of regional partnership as well as the de facto region so as not to lose it.

4.4 Playing a Significant Role in the Regional Arena

As the war in Syria enters its sixth year, the chaos in the region makes the Sykes-Picot agreement boundaries neglected, especially, the Syria-Iraq borders. No one has the ability to expect the post-war map in Syria. The regional actors are trying to setup a new order that would serve their sectarian and ethnic interests (Özdemirkiran, 2015). There is no doubt that the Kurdish ambition for independence has been put on the table to be discussed in the regional agenda again. In addition, the Barzani's declaration-after the fall of Mosul- of holding a public referendum that would decide the future of Kurdistan region proves our argument. It is obvious from the speech that the independence was the essential goal for the Iraqi Kurds. Although, the Kurdish leaders have been working on this issue since the Iraqi reconstruction process after 2003, the emerged political problems in Baghdad led KRG to postpone its policy of independence. The KRG leaders were, instead, working on enhancing the region's economy through establishing strong relations with the regional and Western countries. They were offering investment incentives, as a plan to facilitate establishing independent foreign policy for KRG (Özdemirkiran, 2015, p. 12).

As we hypothesized, the KRG has improved its relations across the region as well as across the Western countries through utilizing independent energy policies. Bilateral relationship with Turkey has been made under a typical way in a few years ago. For example, KRG has built oil and gas pipelines without a permission of Baghdad's central government. Also the role of a mediator that KRG played in Turkey's internal dispute with PKK (Partya Karkeren Kurdistane) has become a new phase in KRG's regional policy.

On the other side, the contemporary relationship between Kurdistan and Israel is not new. During the 1960s to 1970s, Israel had supported the Kurds in their struggle against the Baath regime with secret assistance (Kamisher, 2016, p. 9). Turkey's animosity has been always restrictive to the relationship between Israel and the Kurds. But with Turkey's changing attitude towards the Iraqi Kurdish, the potential support for exporting the KRG's oil has become true from the triangular alliance (Kamisher, 2016, p. 9). Israel has become the main customer for the Kurdish oil market, as a key factor to assist KRG's oil industry to avoid the central government's lawsuits. According to the reports of Financial Times from May to August 2015, the KRG has transferred 19 million barrels from Kurdistan through Turkey to Israel in order to re-export it again. Erbil has roughly exported 36 million barrels during this period. In this respect, the estimations indicated that 53% of the KRG's oil was sent to Israel (Kamisher, 2016, p. 9).

There are no diplomatic relationships between Israel and Iraq, but it gives special treatment to the Kurds aspirations. Israel is tending to purchase and facilitate selling the Kurdish oil in the global market. Meanwhile, the Iraqi government is incapable to bring the lawsuits to the courts of Israel. In other cases, Baghdad put the embargo on the KRG's oil market with lawsuits. For example, an oil tanker returned from the United States to Israel's port in Ashkelon due to the lawsuits (Kamisher, 2016, p. 9).

Yet, the KRG's oil marketing is unclear, because of the existence of a third-party of shipping corporations exporting it through Turkey and transferring it to Israel. The Ministry of Natural Resources in KRG declared that the oil from Kurdistan region has been shipped to Israel. The reports stated that the first shipment of the Kurdish oil arrived to Israel on June 20, 2014 (Kamisher, 2016, p. 9). Though, KRG has not

any role to play in shipping its oil to the global market, but there is a third-party facilitates marketing the oil to the international markets. Furthermore, Israel was the first country to support the independent state for the Kurds in Iraq when -for the first time in June 2014- the Prime Minister Netanyahu asked the world community to “support the Kurds’ aspirations for independence” (Kamisher, 2016, p. 10). In a poll in 2009 in Kurdistan region, 71% of the participants have strong incentives to promote bilateral relationships with the government of Israel (Bengio, 2014). In addition, Israel attempted to establish formal partnership with the KRG, but there were fears of antagonizing by the former ally Turkey. Even though, Turkey was not hesitated to strengthening its relations with the Israeli’s main enemy “ Hamas”. The independent Kurdish state is crucial for Israel and would become a part of what is called “axis of regional cooperation” to counter other extremist groups in the Middle East like Shiism which is led by Iran; Sunnism by ISIS and other Sunni countries. The aim of Israel, in doing so, is to offer indirect fiscal support for KRG and encourage stability in the region and bolster KRG’s independency as well (Kamisher, 2016, p. 10).

The weaknesses of Iraqi central government and uncertain foreign policy have motivated KRG to spread its ties over the region. In addition, the Iraqi Shiite government has opted tolerance and offering sympathy as well as support to what it calls ‘axis of Shia’ among those; Iran, Bahrain’s Shias, and also supporting the Assad’s regime in Syria (Natali, 2012, p. 111). In contrary to this policy, the Arab Sunni countries in the Gulf welcomed the KRG’s bilateral relationships, as an alternative to counter the balance of Shiism in the territory, and to follow the economic opportunities in general. Several Arab countries established their consulates as a base for their support to KRG and for a potential investment, among

those Arab countries; Jordan, Kuwait, Egypt, Saudi Arabia, United Arab Emirates and Palestine (KRG, 2016). Those Arab and Sunni countries would most probably benefit from the full sovereign KRG in the future. The new established government in Iraq that is under the dominant of the Shiite parties since 2003 in which they constitute the majority. In this perspective, the Arab Gulf countries wanted not to lose Erbil as they loosed Baghdad.

As a result, the aforementioned developments have led to flow of political support and economic investment that propelled the KRG to the international diplomatic and economic stage. These movements have promised positive indications for the Kurdish leaders, fiscal investment space, international oil companies and other actors with their interests to make revenue from the KRG market. In addition, it has promised well and would be a strong argument for our hypothesis that a strong KRG with the energy resources could facilitate the independence and foreign recognition of the KRG as a legitimate sovereign actor. Furthermore, investment in the KRG oil sector generated various projects and constructions while the demands for different sectors are rising (Natali, 2012, p. 111). High quality highways, five star hotels and electricity are visible in the region. It is the first time for Kurdish diaspora society to begin coming back to their homeland and taking part in reconstructing their community after several decades in alienation. It is to both benefits from the region's economic prosperity and strong security and safety (Natali, 2012, p. 111).

4.5 Economic Ambitions and Obstacles

The Kurds have never controlled the revenues of their natural resources. The process started after the invasion of Iraq in 2003, when KRG had signed the first oil contract with an international oil company, as we mentioned before. The autonomous

hydrocarbon sector would allow KRG to secede and break away from Iraq, formed the fears of the central government. Based on this argument, the KRG has deprived from sharing the budget with the central government to the independent extraction of oil in 2014 (Neuhof, 2016). In doing so, KRG has managed to seek for its oil consumers at the international market. Consequently, the central government, to some extent, black-listed the oil companies that deals with the KRG and threatened others by legal actions (Neuhof, 2016). After several attempts, the central government tried to restore the allocated budget from the region but they failed, and since that time, KRG resumed to export oil independently (Neuhof, 2016). Under the circumstances of recent economic crisis, the KRG has been enforced to follow dramatic changes to reform its economy. More or less, all the obstacles and challenges that KRG faced during the past two years could be brought by the creation of ISIS in Iraq (FIELD, 2016). In the period of pre-ISIS, the observers considered a boom in the region's economy. Between the period 2004 and 2014 the standard of living as well as foreign investments were increasing progressively. In 2013, in the term of security and political performance, the Kurdistan region was fifth in the neighboring territories, ahead of Israel and Saudi Arabia, on the global arena scale was 83rd equal to China (FIELD, 2016). In the same ranking, reported KRG regarding business environment become 7th in the scale of the region and 57th in the worldwide scale advancing Russia (FIELD, 2016). The dynamics of security and economy imposed on the ground different realities for Kurdish region. Alongside with facing fighters, such as ISIS and other kinds of extremism, the economic obstacles and political concerns regarding relations between the region and central government as well as the future reforms were among the hot headlines addressed by the speakers at the Fourth Sulaimani Forum. This forum was arranged by the

American University in Iraq - Sulaimani in 2016 (Bajalan, 2016). The university founder Dr. Barham Saleh (the previous KRG prime minister) shed the light on the challenges and new perspectives that are encountering KRG in the recent time, such as the right of independence and self-determination for the Kurds. According to Saleh's speech, Kurdistan region has passed through several serious issues like the refugee crisis. There are almost 1.8 million refugees in the region with the failure to receive 17 percent of KRG's share of the federal budget, and the wars against ISIS, as well as the sharp decline of oil prices have all led to KRG's bankruptcy at the permanent time (Bajalan, 2016).

Moreover, the fundamental reforms that were expected to be done are the main requirements of the peoples, but those reforms are strongly associated with domestic struggle in KRG and rebuilding the broken trust between the region and Baghdad to pass the current difficulties. As Saleh stated, the only solution to the recent crisis is to implement the progressive reform in diverse sectors, leave corruption and increase transparency. In addition, for the independent Kurdish state, Saleh demonstrated Every Kurd aspires to be independent. Kurdish people deserve and have the right to be a separate independent Kurdistan just like Turks, Arabs and Iranians. But the Kurdish independence, in his view, comes through fixing the economy crisis. He stated that the Kurds need to put their house in order, making sure that the reform agenda succeeds by consolidating the trust of the community of Kurdistan. He believes that they still have a lot of work to do. Saleh expressed his happiness of the KRG relationship with Ankara which has improved over the years. Meanwhile, the formal recognition is crucial by the international countries to be a sovereign legitimate state, but it does not mean a lot if the region has only relied on Turkey and the United States for its economy. In addition, Saleh continued to say that the issue is

not to favor a neighbor over the other or preferring Turkey over Iran or the opposite, but the best strategy to follow for the region is to build wide bridges with neighbors including Iran, Turkey and the Arab countries (NASİ, 2016). The KRG has the opportunity to invest its ties with neighbors and could benefit from the sensitivities and the ideological competition between the Sunni countries on one side and Shias on the other. To prove this argument and economic leverage, the Arab Gulf companies are operating actively in the region in many sectors such as: construction and hydrocarbon. The best known of them is Dana Gas Company which is investing in the gas fields in the region since 2007 and is one of the biggest in the foreign investors in Kurdistan region (DanaGas, 2015). To shed the light on internal struggles, economic degradation, impending of ISIS threat and the future plans for declaring independence are all obviously expected to be suspended (NASİ, 2016).

In the case of KRG-Turkey's relationship, it is clear that the economic sources have played a serious role in solving past conflicts to maintain political and economic relations. In the Turkish side, they are involved to consolidate their leverage in Kurdistan through economic and culture. Utilizing such tools of 'soft power' (language, popular culture) to reach their aim of being a regional hegemon (Özdemirkiran, 2015, p.12). On the other side, for the Kurds the situation is different, the Kurdish leaders are trying to strengthen the relationship with a powerful neighbor, a member of NATO, G20, a candidate for the European community, and the 17th worldwide economy. In doing so, the KRG could gain a significant leverage to integrate with the Western countries through Turkey. However, if the KRG decided to remain in Iraq within a federal system, any political crisis between Erbil and Baghdad would prevent the Kurds to further developing their state-building process will encourage the KRG to consolidate power and further

diverse (Özdemirkıran, 2015, p. 12). In this sense, the KRG compensates its budget which has been cut down by the central government. It attempted to sell its oil autonomously from Baghdad less than the international prices, which could be \$10 per barrel less than compared to the price of Brent. Additionally, a half of the revenue goes to the oil company payments and the rest which is less than a half of public employees remain for the KRG. In the same time, the KRG's borrowing maxed out and the tensions increased with Baghdad, which deprives the region to have access to the global debt organizations. Contrary to the KRG, Baghdad has the ability to borrow independently as the observers argue.

4.6 Origins of the Crisis

The crisis origins started in June 2014, when the Islamic State conquered the provinces in the southern borders of the region. Then the group shortly attempted to attack the outskirts of Erbil, resulted in a massive refugee flood into the Kurdish region. In fact, the KRG's inability and dilemma started in the year earlier. In addition, the central government cut the budget as result of disputes over who has the right to export oil and other natural resources. The federal government in Baghdad started reducing the KRG budget share from IQD 14.3 trillion in 2013 to IQD 1.1 trillion in the first half of 2014, and then finally cutting the budget totally in the second half of the same year (Figure 2: Illustrate KRG Federal Budget Share) (DeWeaver, 2016).

As a reaction by the KRG Ministry of Natural Resources, it started exporting oil without authorization from Baghdad's government and selling it to the international buyers and connecting the pipelines of the oil fields in the Kurdistan region through Turkey to Ceyhan port on the Mediterranean Sea (DeWeaver, 2016). Following this

strategy, the KRG's revenues declined in the first half of 2014 and the situation became worse by the second half of the year.

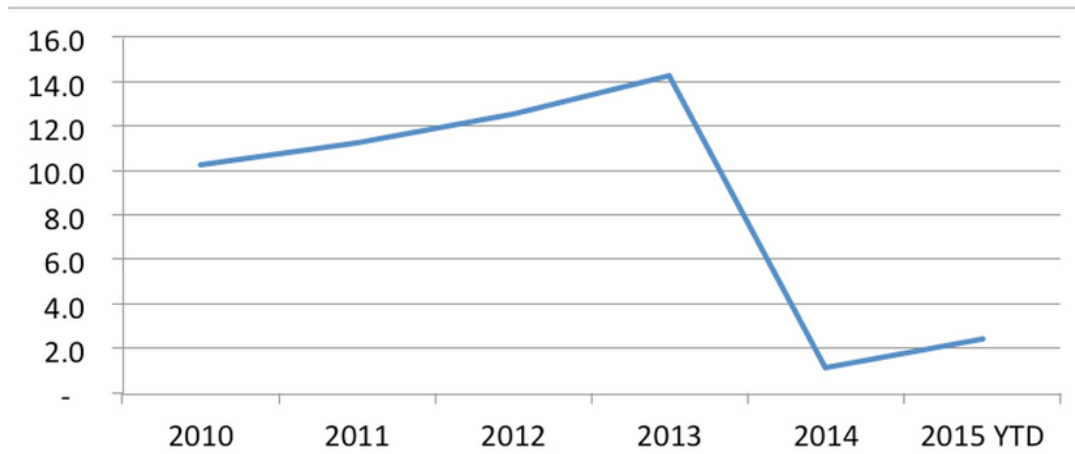


Figure 2: KRG Federal Budget Share (IQD trillion). Source: World Bank Group

This was synchronized with the crisis of ISIS and the decline of oil prices to 50 percent by the end of 2014 (DeWeaver, 2016). In addition, the military costs increased sharply and the displaced population jumped from 250,000 to above one million. It considerably led the desire for public services to become a snowball game (DeWeaver, 2016). Meanwhile, the Islamic State broke the Iraq's integrity. The president of Kurdistan claimed that he is ambitious for independency, and they are paying the price to utilize economy in order to accomplish this issue (FIELD, 2016). The KRG policy has been seen as a failure because it exposes all of its interests with the central government to become economically independent, which cannot be easily implemented without taking the challenges into consideration (FIELD, 2016).

The new changes in Baghdad's government headed by the Prime Minister Al-Abadi had paved the way for Baghdad to resend the payments to the region at the beginning of 2015. This continued for a short period of 'five months'. The KRG officials

demonstrated that they received one third of the allocated budget for Kurdistan. Subsequently, in June, KRG entirely depended on its exported oil incomes, which equaled \$3.3 billion in the November, 2015 (MNR, 2015). To understand better, according to the Ministry of Natural Resources estimations, the autonomous exported oil were predicted to be further advanced monthly. That was sufficient for the KRG's public employee salaries, which could approximately equal \$750 million for each month with accordance to the officials' statements. But this assumption falls into the lack of short-range future price estimation. To make the situation worse, KRG oil exports proportion has fallen, and the prices decreased to less than 20% of its real prices in one year later. Based on this, the average of the revenues for one month has been \$160 million (DeWeaver, 2016). As a result, these circumstances left KRG incapable to pay the salaries of the public-sector.

As a result of security threat, the foreign investors attempted to withdrew from Kurdistan region and the KRG was unprepared to hold the responsibility of such kind of revenue loss (Neuhof, 2016). In 2016, the numbers of local companies went bankrupt reached about 1.500, and the investment rate has fallen by \$15 billion. According to this, the economic growth decreased from 13% in 2013 to 8% in 2014, and by the year of 2015 it fall to 3% (Neuhof, 2016). For its down turn in economic, KRG tried to compensate it by looking for foreign loans from the friend countries, mainly from United Kingdom, Japan, United States and South Korea. Indeed, the United States agreed to provide a financial support \$415 million for Peshmerga forces (Neuhof, 2016). In addition, KRG recently has signed an agreement for a loan from the United Kingdom Export Finance (UKEF) to finance the water supply project to the big two cities in Kurdistan region Sulaimani and Erbil, and to solve the wastewater of those cities (KRG, 2016). On his side, the KRG prime minister

demonstrated that it is a significant development for the region to gain a direct loan from the United Kingdom government (KRG, 2016).

Primarily, the KRG tried to reduce the operational budget, the decision is not coming at the worse time that the region embracing an increasing proportion of the refugees and displaced populations as well as the battle against ISIS requires a significant budget. Furthermore, unemployment among the Kurdish society has increased to 20% in this year (Neuhof, 2016). While, KRG has to provide water, food, electricity, shelter and health services for the refugees. One of the major public services that the region has attempted to rearrange by imposing further tariff laws on imported goods. For instance, there are different tariffs on energy between countries and Kurdistan region; in Jordan a kilowatt of electricity costs 20 cents, in Turkey it costs 30 cents, in Kurdistan a kilowatt electricity costs 3 cents as a result of the government's habit to provide public services for people (Neuhof, 2016).

4.7 The Contested Sovereignty and the KRG

The field of foreign policy has enabled the Kurds in their struggle significantly. In many ways, KRG has succeeded to stay and maintain its existence or increase its power by overtaking the traditional framework, which is separate from the realm of internal and foreign policy. The primary source of KRG's power has been articulated with the circle of foreign policy in northern Iraq. The KRG has gained its autonomous de facto form. The foreign policy tools outside, such as the political institutions, have been operationalized internally. As the thesis hypothesized, KRG does not need or nor has ever look for a formal recognition by the international community, but its behavior is more similar to a sovereign state. This behavior comes from self-confident of KRG and the earned sovereignty that this study

clarified at the very soon of its discussion. The four types of sovereignty that Krasner demonstrated in his book, KRG could gain most of them with one exception which is international legal sovereignty. So the KRG has functionally earned other kinds of Krasner's sovereignty which are domestic sovereignty, interdependence sovereignty and Westphalia sovereignty. To best understand from Krasner, KRG owns the military capability which is under the direct control of KRG, the ability to make relationships with outside actors, the ability to protect domestic security as well as the ability to have independent economy. To this end, the earned sovereignty by the KRG is quite enough for the region to strengthen its ties with external actors as a sovereign legitimate actor.

As a result, from its perspective, the KRG has the outcome of such internal and external dynamics, as a connection among resourceful appropriation of obscurity in northern Iraq, which was categorized by both pitfalls and opportunities (Soguk, 2015, p. 963). Including or excluding KRG from the territorial nation states integrity is yet obscure. The mobilization of the Kurds has multiple fronts, internally rooted as well as networked externally. To give a sort of power to what they call 'Kurdistan', it has continually appeared in the emergencies with regard to the existence zone of indistinct. Yet, the future of Kurdistan precisely is unclear due to the prevailing essentials of this zone. It is conceptualized by zonal condition, this presence is not similar to an independent actor or solely covering a little governance here and little autonomy there or acting in the crevices of the state system (Soguk, 2015, p. 963). The KRG's zonal condition indicates of living in indistinct by a fundamental state, not continuously, but recently it is visible. The connections among states that KRG living are military, economic, political, education, cultural and scientific, distributing and separating. Yet, the KRG has numerous connections and diplomatic

representations with the sovereign states all over the world. Meanwhile, these representatives not fully qualified as official embassies, but their performance is parallel to the most functions of all embassies, if not all the diplomatic representations (Soguk, 2015, p. 964). They simplify and facilitate between KRG and the international governments in different political, economic or cultural occasions. These networks empowered the KRG's political ability and widened the legitimate sphere and expanded investment as well (Soguk, 2015, p. 964). All these exchanges are regulated by KRG's Ministry of Foreign Affairs. In addition, there is coordination, especially, between the Ministry of Natural Resources and the Ministry of Foreign Affairs in arranging the external relations with the international community by designing such projects to activate the current network for KRG and highlighting its visibility. It was obviously seen as a main success for KRG, when the Barzani was received by the President of the United States George W. Bush in 2006, as the President of KRG. Yet, visiting Washington several times has become ordinary for the KRG president and meeting with President Obama, including a visit in 2015 (KRG, 2015). Likewise, the Barzani's typical visits to Saudi Arabia in 2007 and 2015 and the warmly welcomed by the King of Saudi Arabia and the government administration for discussing bilateral relations between the two sides, is far from the anticipation of the Iraqi government (KRG, 2007; KRP, 2015). Additionally, these developments encouraged other Arab countries to build diplomatic relationships with KRG (Zebari, 2013). All these developments can be seen that KRG is emerging as an energy player in the Middle East.

In the same context, since December 2006, Austrian Airlines initiated the first international direct flight to Erbil. While, the developments indicating that, unless, the Kurdish flag is flying above the airport, the separate KRG visa is necessary

(Gale, 2007). Furthermore, this background came after such developments when the two Kurdish airlines started destinations; Kurdistan Airline and Sawan Airline, in which the Kurdistan Airline attracted the international visibility after appearing with a logo on one of its planes in Beirut international airport in 2006 (Soguk, 2015, p. 964). In this respect, recently, there are 22 airline companies around the world operating in the region and they have direct flights to Kurdistan region. It is clear that communicating with these international airline companies has offered KRG self-confidence in its foreign relations and progressing in its state-building first steps in international relations. To facilitate more for investment, the Kurdish Parliament in 2006 approved an investment law to synchronize with the first international fair in the region (Recknagel, 2005). The U.S. ambassador in Iraq attended the fair. It started with the speech of KRG's Prime Minister who welcomed the representatives of 30 countries accompanied by 800 companies. The U.S. ambassador 'Khalilzad' in a statement suggested for the participants demonstrating that "...do not want you to spend four days in Kurdistan, and then return without a contract and personally I invite you to take advantage of Kurdistan" (Recknagel, 2005).

Under the name 'Kurdistan, the other Iraq', the KRG were already to highlight investing in Kurdistan 'The Other Iraq' as an opportunity for investors and international firms (Kurdistan - The Other Iraq, 2015). This campaign launched in newspapers and television advertisements in the region in July 2006. The clear message of the campaign is to describe the ability of KRG to sign agreements with international companies bilaterally, especially, in hydrocarbon resources (Kurdistan - The Other Iraq, 2015). While the KRG following to empower its ability to multiple fronts, they were structuring the economic bases in the earlier stages for Kurdistan region. As we mentioned before, the Norwegian oil company (DNO) was the first

international oil company that signed an agreement with the KRG in 2004, before Baghdad's agreement on the deal (Senanayake, 2006). It is not retroactive, after a period of time to agree on the deal. To the end of 2007, the Minister of Natural Resources in the region stated that they signed 10 new agreements. Following these years, the Kurdistan region becomes a place of various companies investing in different sectors. For instance, the KRG published an Investment Guide to Kurdistan Region and titled "Kurdistan: Invest in Democracy" in 2011, provided information of all the companies working in; oil, transportation, communications, banking and minerals (KRG, 2011). Since the establishment in 1992 and its unification in 2003, the KRG has had took advantages from shifting opportunity on the ground to achieve as well as attracting a various number of interests in a territory, progressively tending to build pillars on the state far from moving to declare full independent state (Soguk, 2015, p. 965). In addition, in 2014, when a large part of Iraq and Syria conquered by ISIS and dismantled both states, the President of the region quickly indicated the right of having independent state. However, the Kurds went back from this speech as a consequence of the United States disagreement (Tanchum, 2015). In the form of linguistic, the Kurds has solidified their existence on the ground. For instance, the linguistic enactment in the international form came from mobilizing their leverage in the high technology electronics. The Korean LG electronics company for the first time incorporated the Kurdish language into their software programs. Furthermore, it was quite visible when the director of LG texted a message to the KRG Prime Minister in Kurdish as a ceremony text-message (Kirkuki, 2007). In doing so, intensive and multiple front working was made to solidify the tools of state building process in an in-distinct region is quite progressive, and the regional as well as the

international interests have their role in any probable measures that might be taken into considerations in future.

4.8 Conclusion

For KRG, it is quite obvious that advancing towards the 'disputed territories' has gave a political and economic leverage. In addition, dismantling Iraq and Syria by ISIS left a vacuum to be filled by the Kurdistan region and to act in the international arena as a sovereign state. Since, KRG started to extract and explore oil; it has been significant to convert the adversary and sensitive relations with the regional governments in the past to positive fruitful relationships. Additionally, the KRG has always acted in a way to prove for the regional countries that they want heighten friendly positive exchanges in politics, cultural as well as economics. Furthermore, the regional implications has had assisted KRG to broke the traditional boundaries of 'sovereignty'. The Saudi Arabia and other Gulf countries as well as Turkey, what is known as 'Axis of Sunnis, have made typical relations with KRG, and with the other side 'Axis of Shias' that attempted to rise up as regional hegemony in the Middle East.

Chapter 5

CONCLUSION

It is commonly believed that the allocating natural resources will have effects on increasing secession incentives among minorities and groups in societies. This study addressed the main questions behind the improvement of KRG in its diplomatic and foreign relations. In addition, the contested sovereignty that linked with KRG's earned sovereignty since in 1991 is quite expanded to date. This study has conducted the political leverage of Kurdistan government in the context of theories of post-conflict state formation that situated at the end of the cold War. The post-Cold War era brought several 'states' into existence, some of them officially recognized by the Western countries and other regional countries, but numbers remained as controversial status among the international community. The KRG since 1991 has been established as a de facto status and unrecognized internationally as sovereign state without any constitutional framework within the Iraqi border until 2003. In the case of KRG, it has historical background and economic dimension as well as regionally and internationally interlinked with various probabilities. In the literature, the main focus touched the concepts of theories of the post-conflict states to portray a clear understanding on the issue that addressed.

According to arguments above, the author has come to the conclusion and new finding based on the study. The KRG's advances to the territories which are disputed between Erbil and Baghdad have seen empowered the Kurdistan region in both

politically and economically. These disputed places are well-endowed with natural resources including Kerkuk province, some parts of Mosul and Diyala the two majority Arab cities, in which it become an additional source of economic leverage for any potential independent. Took over these territories has come parallel with expanding the KRG's territories approximately 40% of all the three major Kurdish cities before 2003 due to some estimation. These expansions gave the KRG more leverage on the regional and international arena.

The unilateral explore and extract the hydrocarbon resources are another field of our study. The KRG stands on a vast of oil and gas reserves in which prevented to take advantages from it in the past, this issue backed with political concerns by the former Iraqi regime. But since 2003, the KRG has started to extract oil and gas without referring to Baghdad due to not having a clear vision or obtaining any national laws to regulate this process. The importance of this movement for Kurdistan region is the outcome of being independent in economic since 2014. Yet, the region has completely dependent on its economic revenues from the natural resources far away from Baghdad. When it was started to export oil at the first steps, there were obstacles ahead marketing the oil products in the international market because of the legal actions by the central government, but later on, Baghdad was reversed from it. Moreover, extracting oil separately and find a market for its hydrocarbon products away from the Iraqi government has enabled the KRG a unique political position in the Middle East.

The KRG's bilateral relationships with the regional countries have developed with the improvement in its economic level. The Kurdistan region recently became a significant player in Iraq, Syria, and Turkey depending what the study conducted

above. In addition, converting the past adversely relationships with Turkey that it was quite negative to economic based and diplomatic relations on the highest level, are encourages KRG further in its de facto expanding. Turkey allowed the KRG to use its land for constructing oil pipelines for marketing its oil products despite Baghdad's claims. On its side, Israel is playing a serious role in marketing the KRG's oil products which empowered the region to further unilateral movements. In addition, the other regional countries have strengthened their relationships with the Kurdistan government such as Saudi Arabia, United Arab Emirates, Jordan and Kuwait. These countries opened their representatives in Erbil as political support for the KRG and to balance the Shiite government in Baghdad as well as to make an additional alliance against the Iranian proxy in the wider region. The KRG has attempting to benefit from the balances of power in the Middle East and consolidated its economic and political power to make friendly allies and use them to further advancing in the potential statehood.

In terms of economic ambitious and obstacles, the KRG is one of the most attractive places in Middle East for investment in oil, construction and tourism. In 2014, Erbil has been a pointed as the Arab Tourism Capital for a year by the Arabian countries commission. The Kurdistan government has become one of the best political and security performance in the wider region in last years. Attracting big oil companies such as ExxonMobil, Chevron and DNO was led Kurdistan region to more self-confidence and economic leverage in its bilateral relations. In addition, embracing a large number of Turkish companies working in road and building construction converted the political sensitivities in the past to stronghold positive relationships. In this sense, these political and economic ties with Turkey and other Arabian countries in the Middle East can be transformed to a base for the support of a potential

independent Kurdistan. The KRG always attempted to improve for the neighboring countries during the past decade that it can carry out a successful performance. This performance could lead to mutual beneficial for the neighbor countries and for a wider region.

The obstacles ahead the ambitious of KRG's economic are various and challengeable. Furthermore, to embrace a better and stable economic leverage, the KRG has to diversify its sources of income. These crises are the outcome of fall down the oil prices, dependent on oil revenues as main sources in its economic and the war against ISIS in which directly engaged in war as well as indirectly faced a flood of refugee crisis (displaced people) that estimated approximately two million refugees from Iraq and Syria. By doing that, the KRG has tried to assert for the international community that embracing this amount of refugees, displaced people and defeating ISIS on the ground, proves the reality of the KRG's ability in its de facto statehood and could offer a better performance compared to Iraq and Syria as a two failed states.

The contested sovereignty of the KRG has been the main concern of scholars in international relations. It is arguably right that the KRG has consolidated all its tools to strengthen its leverage in foreign relations by multiple ways. Despite the traditional boundaries of Iraq, the Kurdistan region empowered the diplomatic relation which was typical for the contested states. The main important concern for the KRG is to make separate bilateral relations with sovereign actors in the international community. It is argued that declaring independent officially or international legitimacy no more is a serious matter, because it is already achieved. Making foreign relations for the unrecognized states is quite difficult, but for the

Kurdistan region was obviously welcomed in the international arena. This study demonstrated that regardless the main principle of sovereignty, different governments throughout the world came to bilateral economic and diplomatic relation with the KRG, especially, in post-2003. As it was mentioned before, the earned sovereignty by KRG is quite enough for the region to make diplomatic relations with important countries in Europe and United States as well as the Arab world countries.

Finally, the KRG as de facto state and contested region utilized all its tools to consolidate its leverage politically and economically. The economic boom in the past years after 2003 allowed the Kurdistan region to step further ahead to gain more sovereignty on the international level. The regional implications have also influenced the KRG such the conflicts in Iraq and Syria are needless to definition.

5.1 Recommendations

Recently, the Kurdistan regional government is going through an aggressive and harsh economic crisis. These crises challenged the future of the KRG and its behavior in the regional and international arena. The crisis has multiple dimensions and resolving them requires a multiple initiative programs. The economic regression due to decline the oil prices, the migration of displaced people to the region from Syria and other parts of Iraq, the war against ISIS as well as other issues related transparency domestically. We will provide the recommendations on two levels for a better performance of the KRG:

Internally;

- Diversification of economy is required; it should not be arguable for KRG to circle the entire economic and business around oil revenues. These sources of economic are not remain in a straight position, the fluctuation of oil prices might occur in any time. In this sense, depending totally on oil revenues is not reliable for a stable economy of government.
- The prevalence of corruption another challenge for KRG, especially, in the oil sector. The oil contracts with the international oil companies should be applied to the regional parliament to satisfy all the parties as well as the central government and the international organization to build credibility. The more transparent KRG, the more empower KRG domestically and externally.
- The political system should be revised and confirmation of the KRG's constitution would be the base to solve the majority of the crisis internally. The recently presidential crisis which is out of his duration period and the political clashes between the two main parties in the region KDP and Gorran movement are the outcomes of missing a constitution and confidence.
- According to the World Bank report for the intensive reformation (World Bank, 2016), KRG has to follow the rules and steps to promote its economy and return a stable economy and development as well to pass the fiscal crisis.

The above recommendations would help KRG in the domestic crisis regarding political and fiscal issues faces KRG.

Externally,

- KRG has to strengthen friendly ties with regional governments and shift the previous sensitive tensions among the Turks, Persians and Arabs towards Kurds movements. The tensions came from the future probability of independent KRG will increase the sensitivity within other parts of Kurds territories in neighbor countries. Furthermore, the KRG's step towards further autonomous and independent should be addressed accurately.
- Bilateral relations with Turkey have to be maintained and developed. Turkey is the only way for Iraqi Kurdistan to reach the European market and recently the only way to transfer its oil products to the international market, accordingly, any mistake will harm KRG in the future.
- Iran is another way for KRG's oil marketing. The Kurds have historical background of relationship with the Iranian government, and the KRG should benefit from this ties. In the case of Turkey's probable disagreement for KRG's oil exporting or technical issues, Iran probably wishes to assist the Kurdistan region in this respect.
- Baghdad until now is the central for the whole Iraq, promoting negotiation with Iraqi government should be on the table, even if the region decided to secede from Iraq. The best way for the Kurdistan region is to solve the whole suspended crisis between the KRG and the central government through negotiation, especially, the disputed territories issues. The Iraqi Arab leaders

claimed several times that they would accept the separation of Kurdistan but without disputed territories, it was strongly refused by the Kurdish leaders.

- On the international arena, tightening relations with the Western countries is crucial for the region. Expanding the existing bilateral relations with France, Germany, Austria, United States and Middle East countries such as Saudi Arabia, United Arab Emirates, Lebanon and Kuwait.
- The future possible statehood for KRG should not be based on the idea of Kurdish nationalism. This will lead to encourage the other nation's sensitivity towards the Kurds aspiration.

The political and geographical divisions of Kurds in the Middle East by the great powers after the World War I, the Kurds had never accomplished their dreams of statehood, except the short lived republic of Muhabad in Iran 1946, which lived only 11 months from its establishment. In this respect, the KRG has to make an agreement in the disputed territories with central government to indicate the future of these territories that satisfy both sides.

The con-federalism arguably is the best kind of living together in Iraq. As the president of Kurdistan region indicated; they will not come back to the situation of prior ISIS, we have to choose another way of living together, either if we would be independent, we should be a best neighbor, we will not accept to be enemy of each other. This argument indicates that the Kurdish leaders realized that the independent Kurdish statehood associated with consolidating friendship towards the neighbor countries.

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