

August 28, 2014

Kurdish Push for Independence Derailed by ISIS?

Since July 3, when the President of the Kurdistan Regional Government (KRG) Massoud Barzani instructed the KRG parliament to begin preparing a referendum on independence as soon as possible and followed up by saying on July 7 that he would no longer “hide that the goal of Kurdistan is independence”, new developments have fundamentally transformed the situation. On August 7 the U.S. returned to military action in Iraq to combat the imminent threat posed to the KRG by militants from the Islamic State of Iraq and Syria (ISIS). On August 12, under pressure from the U.S. and Iran, Nouri Maliki lost the support of his State of Law parliamentary bloc and thus his bid for a third premiership, clearing the way for fellow Shia Haidar Abadi and a possible political compromise between the Sunnis, Shias, and Kurds that make up Iraq.

With the U.S. now directly engaged in protecting the Kurds and the city of Erbil while stressing the importance of the unity of Iraq, efforts by the Kurdish leadership to move towards independence appear to have been sidelined. Confirming the implicit retreat from their previous position, Hoshyar Zebari, the Iraqi Foreign Minister who along with others had withdrawn from the Maliki government in July, confirmed in an interview with the *Washington Post* on August 13 that “priorities have changed” and that the goal of Kurdish independence, while not “abandoned,” had been “put aside.”

Accelerated Efforts

The recent Kurdish push towards the age-old dream of independence had built up steam parallel to the KRG’s worsening relationship with the central government in Baghdad and in particular with Prime Minister Maliki, whose coalition had once again emerged as the largest bloc in the April 30 parliamentary elections. At the heart of the dispute has been the energy resources within the Kurdistan region, which the KRG have developed independent of the central government. The KRG argues that it has the right to sign independent contracts with oil companies and to keep revenues it accrues from their work in the KRG – along with future revenues from independent exports – because the central government has failed to provide the KRG with its full revenue share. The central government for its part has justified the withholding of portions of the KRG’s 17 percent share of revenue from energy sales from all of Iraq – including all payments since February 2014 – largely on the grounds that the KRG’s independent energy dealings are in violation of Article 108 and 109 of the Iraqi Constitution, which states that oil and gas are owned by all the people of Iraq and the authority to develop energy resources and distribute revenues lies solely in the central government in Baghdad.

The escalating dispute has placed the KRG in financial difficulty and left it with little option but to proceed with independent energy exports in order to be able to run the regional government and pay the salaries of its employees and Peshmerga forces. To that end, it connected its own pipeline to the existing Iraqi-Turkish pipeline in December 2013, thus establishing a new and independent Kurdish export route.

Following several months of unsuccessful negotiations, including a U.S.-brokered compromise effort in March, the tanker *United Leadership* disembarked from the Turkish Mediterranean port of Ceyhan on May 22 laden with one million barrels of Kurdish crude oil. Since then, with the encouragement of Turkey, the KRG has sent out at least seven shipments of KRG oil pumped through the pipeline.

As ISIS began to shake the very foundations of Iraq following its sudden takeover of Mosul on June 10, Kurdish leaders seemed to be convinced that it was time to accelerate their efforts to break away from Iraq and the federal system which has been in place since the U.S.-led invasion in 2003. Sensing opportunity in the crisis as ISIS militants drove the Iraqi central government forces away from northern Iraq, Peshmerga forces moved on June 12 to occupy the long-disputed city of Kirkuk and also took control of its additional energy resources around the city, which they indicated would be linked to their own pipeline network.

Export Complications and ISIS

With the prospect of an even greater potential revenue stream and the continuing support of a major regional partner in Turkey, Kurdish leaders clearly hoped not only to insulate themselves from the problems in the rest of Iraq but to establish a precedent through energy sales that would bolster their case for independence.

The export gambit however has experienced setbacks as pressure from Washington and the threat of legal action from Baghdad has made the transportation industry and the international market wary of Kurdish shipments. A U.S. court case involving one million barrels of Kurdish crude aboard a tanker that was destined for Galveston, Texas has shown that Baghdad is prepared to go after companies which handle the KRG crude. Several tankers have conducted ship-to-ship transfers of their oil cargo in an effort to make the shipments more difficult to track, but *United Leadership* has still yet to offload its cargo, and has been idling fully-laden off the coast of Morocco. On August 12 a New Jersey asphalt company, Axon, that had previously received Kurdish crude that had been exported after being trucked into Turkey, rescinded its planned purchase of oil aboard the tanker *Minerva Joy* forcing it to turn and head back across the Atlantic.

As the KRG was grappling with these problems and seeking solutions to its financial predicament, which has reportedly forced it to seek around two billion dollars in loans from Turkey and the Kurdish private sector, in early August the KRG found itself under heavy attack from ISIS along the new 1,000 kilometer front line. Clearly ISIS militants were not willing to ignore the Kurdish north as they pursued their goal of creating an Islamic state across the entire region. As the Peshmerga retreated and there was palpable fear in the KRG that Erbil itself would come under attack, major oil companies began to withdraw staff from the region due to safety concerns.

It is clear that the Kurds were confident that their push for independence would eventually garner the support of the United States. This assumption was perhaps partly due to the KRG misinterpreting the investment by major American oil companies in the regions' energy potential as indirect support for Kurdish independence by the U.S. government. However, the intervention on August 7 to protect Erbil, was not to support the KRG's ambitions but part of a policy to keep the Kurdish region within Iraq. The U.S. has continuing concerns that Kurdish independence would set in motion the break-up of Iraq; leaving behind a Sunni entity under the control of ISIS and a rump Shia state in Baghdad under even greater influence of Iran which would fundamentally shift the balance of power in the Persian Gulf.

With this in mind, the much-needed U.S. arms and assistance to confront ISIS is explicitly linked to efforts to keep the KRG within Iraq. Underlining this point on August 18 after Maliki was forced to withdraw from contention, President Barack Obama stressed that “the strong support of the United States of America” for all parties in Iraq is contingent on not returning to “the same kind of dysfunction that has so weakened the country.”

Looking Ahead

The immediate future of Iraq is still very much uncertain as Abadi attempts to form a compromise government and as forces controlled by Baghdad and Erbil fight against their common enemy ISIS. Despite the successful retaking of the Mosul Dam from ISIS, coordination between the Iraqi security forces, the Peshmerga and Shia militias remains a challenge as the conflicting and limiting interests of Sunnis, Shias and Kurds in Iraq has so far hindered the creation of a united front. Meanwhile with Kurdish forces still occupying Kirkuk, Kurdish oil continuing to be pumped intermittently into Turkey and more tankers reportedly due for loading at Ceyhan, it is still unclear how the issue of KRG oil exports – which has to be resolved in any compromise agreement – will be formally settled. It is clear that Kurdish leaders continue to harbor deep-rooted ambitions for statehood, but given that the KRG and the central government are now under even greater pressure to work towards a political solution to their disputes, Kurdish independence does not seem to be a viable option for the time being.

Craig Bonfield
Research Assistant
CSIS Turkey Project