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Iraqi Kurdistan: Priority issues for international mediation

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U.S. intervention transformed Iraq from a dictatorship to a democracy (imperfect, like all democracies), but an equally great transformation would be to help create an Iraqi state at peace with all of its components, first and foremost its Kurdish population. That moment can and should start in earnest now. Importantly, the KDP and PUK need to be led towards a de-escalation that will allow the region to speak with one cohesive voice in Baghdad and with international partners.

In the last decade, the Kurdistan Region of Iraq (KRI) has seen many moments of crisis – budget cuts, Daesh’s assault on Erbil, the halving of oil prices (twice!) and armed conflict with the Iraqi government over Kirkuk. Today’s situation feels different and arguably worse than these episodes: there’s COVID, a deep oil recession in Baghdad and Kurdistan, intensifying tensions with Turkey and Iran, and an unpleasant undercurrent of resentment against the Kurds among many of the MPs in the Baghdad parliament.

What makes this moment uniquely dangerous, however, is the near-breakdown of cooperation between the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). Iraq’s Kurds have shown that they can weather any storm when they pull together as a people. The KRI’s international partners tend to support the Iraqi Kurds more effectively when the two parties work in harmony, but often back away when they cannot identify a cohesive counterparty to deal with in the KRI. International memories of the intra-Kurdish civil war in the 1990s undermined the Kurdish cause in Iraq in the 2000s, when the Kurds’ greatest opportunity for self-governance lay before them.

Looking forward, it is clear that the futures of Iraq and the KRI are linked. If Baghdad's economy and currency collapses, so does Kurdistan's. If the Kurdish people starve, the blame will fall on Baghdad. If the Islamic State returns, it will emerge first in the strip of disputed territories between federal Iraq and the KRI. The success of U.S. policy in Iraq is the success of both the fifteen provinces of federal Iraq and the Kurdistan Region, not one or the other.

The U.S.-Iraq strategic dialogue will continue in the late summer, hopefully including a visit of the Iraqi leadership to Washington DC. This presents an opportunity to re-energize the role of the U.S. and international partners in the issues facing the KRI. It is important to stress the importance of a multilateral mission to support intra-KRI cohesion and Baghdad-KRI relations because America does not have all the answers on Kurdistan, nor does it tend to focus enough attention there. U.S. power and leadership are most effective when combined with the perceptive insights and good instincts of many other partners on Kurdistan, such as the French, British, and Canadians, to name just a few.

There is an argument that the U.S.-Iraq Strategic Framework Agreement should either have a specific working group or committee on KRI issues (or on decentralization more generally), or a cross-cutting mechanism that ensures the KRI is worked into each of the security, political, economic and energy working groups. The list of topics that require persistent attention is quite long.

Most important, the KDP and PUK need to be led towards a de-escalation that will allow the region to speak with one cohesive voice in Baghdad and with international partners. This is a foundational issue that affects all the other issues the KRI faces. An adversarial relationship between the two parties undermines everything that is attempted in the KRI and is deeply off-putting for international partners and potential investors. It can result in armed standoffs, affecting key industries like LPG trucking, or in security crises such as the Zina Warte armed confrontation between KDP and PUK Peshmerga in mid-March 2020.

Almost nothing – from oil and gas investment to counter-terrorism to fighting COVID to negotiations with Baghdad – works as well as it should due to the KDP-PUK schism. It would be magical thinking to imagine that the two parties can easily reconcile. Even so, the U.S. and its various partners should prioritize efforts to get the powerful leaders in the same room to hammer out a minimal level of cooperation and start a dialogue, however stilted or tense at the outset.

The U.S. and other internationals also need to help Baghdad and the KRI complete the promising steps that have been taken on political, security and economic cooperation. The Kurds worked well with former premier Adel Abdul-Mahdi's government in Baghdad, and they have overcome their initial caution towards a change in Baghdad to support the new Prime Minister Mustapha al-Kadhimi, another old friend. For the Kurds, however, the relationship will be almost solely judged on what it delivers in terms of budget support.

Having watched six Iraqi prime ministers negotiate and renegotiate budget deals with the Kurds every year for over a decade, the U.S. is intimately familiar with every possible configuration of give and take – more so than the Iraqi and Kurdish leaders themselves. What has always been clear is that politics trump economics in such discussions: typically, the solution is political and the numbers and formulas get fudged to fit the required compromise. This is why, for the remainder of 2020, Kurdistan will probably keep selling its oil and gathering customs revenue while Baghdad will provide

a reduced top-up to the Kurdish exchequer each month, which is basically what has been happening for the last two years. A lot of discussion tends to end up right back where the parties began.

This pattern of recurrent budget crises is not sustainable for two reasons. First, the annual showdown complicates an already fraught budgeting process and Iraqi MPs are becoming more hostile to the KRI economy every time the cycle is undertaken. Second, the KDP and PUK are increasingly fighting over the revenue-sharing mechanism, with Sulaymaniyah seeking more direct transfers from Baghdad or other guarantees of a fair share.

The U.S. and its international partners need to back a multi-year arrangement that has buy-in at the highest levels: the Iraqi Prime Minister, speaking for a sizable bloc in Iraq's body politic, and key leaders within the KDP and PUK. This is yet another reason why the two parties must be able to sit down together at the highest political levels. The sweet spot for a Baghdad-KRI budget deal would seem to be about \$800mn per month, requiring the KDP and PUK to agree on a no-blame, non-politicized and permanent reduction of KRI obligations (salaries, social services and allowances) by about 30%. The U.S. and other internationals need to put strong and well-intentioned pressure on the KRI to appoint an empowered and dedicated Minister of Natural Resources to salvage investor confidence in the energy sector, which will serve as a signpost for the KRI's future non-oil investors.

A quick win for Baghdad-KDP-PUK cooperation may be possible in the realm of counter-terrorism. The Iraqi Counter-Terrorism Service, the KDP-led Counterterrorism Department (CTD) and the PUK-led Counter-Terrorism Group (CTG) are three highly professional services that work closely with the international Coalition against Daesh. They have worked together before and can work in the disputed areas with relative ease now. The creation of joint counter-terrorism coordination centers should initially focus on these elite units and their related intelligence arms, not necessarily the "big military" units like the Iraqi Army, Federal Police and Peshmerga.

One important symbol for Baghdad-KRI cooperation could be an investment in the deployment, for short periods, of some Iraqi Air Force F-16 aircraft to the airports in Erbil and Sulaymaniyah. These fighter-bombers were notoriously viewed as a stick that Baghdad might use against the Kurds, but today the F-16 fleet and its American technicians are struggling to stay in service as Iran-backed militias surround their operating base at Balad. Perhaps an out-of-the-box idea might be to cycle a fragment of the F-16 fleet through the safe operating environments of Erbil and Sulaymaniyah, as the Italian Air Force did with a small complement of Eurofighters during the war against Daesh.

The common thread in all these options is a desire to "go big" in the Baghdad-KDP-PUK relationship, and for international players to encourage and support new thinking. The Kurdistan Region is currently cycling downwards, with less stability and less attractiveness as an investment environment, largely because Kurdish leaders are allowing themselves to be divided by personality politics. The U.S. intervention in Iraq in 1991 helped to free the Iraqi Kurds and the intervention in 2003 saw the U.S. ask those same Kurds to rejoin Iraq on the basis of U.S. guarantees. It is time to begin to make good on those guarantees. U.S. intervention transformed Iraq from a dictatorship to a democracy (imperfect, like all democracies), but an equally great transformation would be to help create an Iraqi state at peace with all of its components, first and foremost its Kurdish population. That moment can and should start in earnest now.

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