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Oil in Iraqi Kurdistan, threat or opportunity for state-building?

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An introduction of Kurdish oil in Iraq

The area of 'Kurdistan' covers about 78.736km² in Iraq (including disputed territories), in this area there are several oil and gas deposits, some are already discovered and used while other, instead, are still waiting to be opened and prepared for being utilised [3]. The Iraqi government pushes for the unification of the state because if the Kurds will have their own, all these resources will be ruled in their own way, giving birth to a new antagonist in the region regarding oil and gas suppliers and prices, so it will change the market in general [3].

An oil over any expectations

But against any accusation from the government of Baghdad, we have to sign that Iraqi oil production outperformed expectations in 2015, after multiple years of disappointing growth [2]. The growth was even more impressive at points during 2015 between July and August, the production controlled by the Kurdistan Regional Government (KRG) also grew strongly in the same year, as independent exports via the Kurdish-controlled pipeline to Turkey ramped up [2]. The self-managing of the oil business from the Kurds was the thing that made the central Iraqi government very disappointed, accusing that the Kurds and all those companies which are making deals with them are acting unconstitutionally. But Kurds and the countries that are investing in that area proofed the opposite citing Iraqi and international laws [2].

How Iraqi Kurds oil can be an opportunity for independence? A conclusive advice

Oil seems to be an enemy and a friend for the Kurds. Recently many talks were developed regarding the fact that Kurds are present in 4 states and just in one they have openly expressed the wish for independence. This is not strange, if somebody look closer the Kurdish situation it can understand why just from those in Iraq this movement evolved into a referendum. First of all they lived for many years in different countries under different sort of government, and just in one after years of struggle the basements for a state started to develop. This was in Iraq, after Saddam the Kurds moved towards a policy of recognition inside Iraq that grew into a semi independent region. This is because the Iraqi Kurds during their period of calm were able to build efficient institutions inside their region. These have been developed and they have tried to reach the maximum level of modernisation possible to reach in their living conditions. But not only gas and oil are instrument that if used correctly can lead to an effective state building way.

International companies are more willingness to deal with the Kurdish government under the point of view of making new contracts for extractions, this is not just because of the quality of the oil itself, but it is also because Kurdish political and social reality is much more stable than the Iraqi one, it is more trustable and of course is preferred from the companies to invest in this atmosphere than in one more unstable. The main thing is how to take this resource and making it into favour for building a democratic state and to prove this to the international community, showing not only readiness under the institutional and military prospective but

also to prove that they are ready in dealing with their resource in a specific way that will allow them to build their country also thanks to this. Oil and gas must be turned as actors in favour for Kurdish democratisation in such a way that everybody can understand that it can be built a solid economically, institutionally and militarily state in the middle east which will not bring chaos but just stability in the region, it will be a real democratic resource-rich country.

I'm focusing on the word 'democracy' because in Middle East there are no democratic rich countries, I could say that 99% of them are authoritarian, as still was Iraq even after all its trips in implementing a democracy inside its borders, thing that failed completely at any attempt. But there are also mechanism through which resource wealth can also promote democracy, and this is the task for the Kurds.

Thad Dunning and his work "Crude democracy" proofed it, and I think that this model can be applied to a possible (one day) Kurdistan, built in what is now the Iraqi Kurdistan. For Dunning one of the main values that can increase or decrease the level of democracy in a resources rich country is the presence of resource rents, they increases the payoff to controlling power because the group that holds political power controls the distribution of the rents. The dynamic nature of politics and attendant commitment problems further increase the opportunity costs of staying out of power in a resource-rich country: the group that holds power can appropriate the entirety of the resource rent whenever is unconstrained by a threat from the out-of-power group. In line with many arguments about the political effects on resource wealth, the direct effect of resource wealth in these models is to promote authoritarianism [1]. But, there is also an indirect effect of resource wealth, it works through the effect of resource wealth on the preferred tax rate off the poor. This indirect effect on resource wealth therefore makes democracy less costly for the rich: resources decrease the difference between the utility of the rich at their ideal tax policy of the poor. The democratic effect tends to obtain under 2 conditions: when the private (non-resource) economy is more inegalitarian, and thus elites capable of mounting a coup against democracy or blocking democratisation are most concerned with redistributive pressures; and when the economy is less resource-dependent [1].

The main problem of resource-rich countries in the Middle East is what can be called the redistribution of resource rents, even if it can seem that Iraq can follow less this prospective, mainly due to the reason that historically it has always been less resource dependent than the other state of the same region [1]. There is in fact no reason to be surprised that oil does not appear to have promoted the prospects for democracy.

If we imagine a possible Kurdistan as rich-resource democratic country we can suggest to adopt transparency in its oil trading and while it can develop the natural resources institutions and business to keep a sort of political and social balance will also need to develop parallel economies and to improve other sectors as possible income for the country under different levels of the society.

References

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