

# TURKEY'S DRAMATIC SHIFT TOWARD IRAQI KURDISTAN: POLITICS BEFORE PEACE PIPELINES

*Ankara's dramatic and positive shift toward Erbil is driven primarily by its aim to elevate its credentials as an energy transit hub, but is also in line with the AKP's policies towards the domestic Kurdish issue. Regardless of the position of Washington, Ankara and Erbil now perceive their political interests as synchronizing with their longstanding economic interests. Yet Turkish and KRG authorities must still need to take a series of bold political decisions – such as either to accommodate or confront Iraq's federal government in Baghdad. Moreover, if Syria breaks apart and an autonomous Kurdish region that favors pan-Kurdish unity emerges, Ankara may rethink its political decision to hold Iraqi Kurds close as economic partners.*

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**I**n the summer of 2003, NATO's two largest militaries nearly came to blows in northern Iraq. On 4 July in the city of Sulaymaniyah, soldiers of the U.S.' 173rd Airborne Brigade apprehended, handcuffed, and placed hoods on the heads of a group of Turkish special forces troops who were operating out of uniform. Turkey's government and society were outraged, claiming their U.S. ally had humiliated them by treating some of their most elite soldiers as terrorists. U.S. military leaders felt fully justified in arresting soldiers whom they believed were preparing to assassinate an Iraqi Kurdish official, which risked destabilizing northern Iraq and turning it into a new front in the broader war. An intense downward spiral in U.S.- Turkey relations followed, reaching a popular nadir in 2004 with publication of the xenophobic novel "Metal Storm", which depicts a Turkish nuclear strike on Washington in response to a U.S. military attack to divide Turkey between Greece and Armenia (as was indeed planned under the Treaty of Sevres at the end of the First World War), Under these tense circumstances, cooperation between Turkey and Iraqi Kurds to develop northern Iraq's massive energy resources was inconceivable.



This diplomatic debacle between two stalwart NATO allies reflected deep divisions in their approaches to northern Iraq. For the United States, the Kurdish area was Iraq's only outpost of relative stability. Washington worried that Ankara was working to shift the political balance there toward Turkey's Turkoman clients and away from the ethnic Kurds who were eager partners of the U.S. in removing the regime of Saddam Hussein that had brutalized them. Worried it lacked sufficient troops to defeat the insurgency raging in south of the Kurdish Region of Iraq (KRI) and tackle the terrorist Kurdistan Workers Party (PKK) in the north, the Pentagon dragged its feet in fulfilling President Bush's promise to Turkish Prime Minister Erdoğan to eliminate the PKK safe haven in northern Iraq from which the PKK attacked Turkey. U.S. officials also worried that any military action against the PKK could reignite the armed conflict of the mid-1990s among various Kurdish factions, as well as between Kurds, Sunnis, and Shiites. Meanwhile, some U.S. politicians viewed Iraqi Kurds as more reliable partners than Turkey in stabilizing Iraq; then-Senator Joseph Biden even suggested in a *New York Times* op-ed with Leslie Gelb on 1 May 2006, that the U.S. should seek a federal Iraq comprised of autonomous Kurdish, Sunni, and Shiite regions rather than a centralized state.<sup>1</sup>

<sup>1</sup> Joseph Biden and Leslie Gelb, "Unity Through Autonomy in Iraq", *New York Times*, 1 May 2006, <http://www.nytimes.com/2006/05/01/opinion/01biden.html>

In Ankara, such opinions fed Turkish paranoia about Washington's intentions. At best, Washington seemed to be disregarding Turkey's top security concern –PKK terrorism emanating from U.S.-controlled territory in northern Iraq– while contradicting the Bush Doctrine's premise that "Those who provide safe haven to terrorists are as guilty as the terrorists." Ankara's strategic thinkers worried that at worst, the U.S. might have had a hidden plot to create an independent Kurdistan in Iraq, catalyze Kurdish separatism in Turkey, and break apart Turkey as the Western Allies attempted to do at the end of the First World War.

Under these circumstances, any notion of partnering with Iraqi Kurds to develop northern Iraq's massive oil and gas resources was politically impossible for Ankara. Above all, Turkey sought

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to maintain Iraq's territorial integrity; any step that could enhance the economic viability of an independent Kurdistan, such as developing its energy resources independently of the federal government in Baghdad, was anathema for Ankara. During 2003 and until around early 2006, the Turkish Government boycotted the Kurdish Regional Government (KRG) in Erbil, and worked exclusively with Baghdad while periodically threatening unilateral military action to destroy the PKK's headquarters at Qandil Mountain in northern Iraq.

Working at the White House at the time as the National Security Council staffer responsible for U.S.-Turkey relations, I knew how sincere President Bush was in his intention to destroy the PKK terrorist threat in northern Iraq, which he stated as a key war aim in the Azores Declaration of 16 March 2003 together with British Prime Minister Blair, Spanish Prime Minister Aznar, and Portuguese Prime Minister Barroso. I also knew that U.S. suspicions about the intentions of the non-uniformed Turkish special forces in Sulaymaniyah were well-founded, feeding arguments of those who opposed any U.S. move against the PKK in northern Iraq as dangerously destabilizing. My convictions seemed to be confirmed a few months later, when several Turkish military officers in the chain of command above the apprehended unit were reprimanded and/or demoted. However, this tacit admission had little impact in moderating Turkey's approach to Iraq. On the contrary, Turkey continued to threaten unilateral military action against the PKK in northern Iraq, while the U.S. worked to demonstrate unequivocally what a dangerous and futile operation this would be.

Against this backdrop of potential military conflict between the U.S. and Turkey over their divergent approaches to Iraqi Kurds, Turkey's dramatic shift in tone on 20-21 May 2012 in Erbil at the first-ever international conference on oil and gas in the KRI

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was shocking. During 2003-4, Ankara would have objected vehemently to any such event as a provocation aimed at fomenting Kurdish separatism to split apart Iraq and then Turkey. But, by May 2012, at the conference in Erbil organized by Turkish energy NGO STEAM, Turkish Minister of Energy Taner Yildiz referred glowingly to strategic partnership between Turkey and the KRG, and called for

close cooperation in developing the KRI's oil and gas resources and exporting them *via* Turkey. KRG Minister of Energy Ashti Hawrami and international oil company representatives ticked off impressive statistics describing the KRI's enormous untapped oil and gas reserves, most notably the U.S. Geological Survey's estimates of 45 billion barrels of oil and one to three trillion cubic meters (TCM) of gas. Putting those numbers in perspective, the giant Azeri-Chirag-Guneshli field, whose revenues transformed Azerbaijan's stagnant economy into the world's fastest growing one during 2006-8, contains six billion barrels of oil; and Azerbaijan's Shah Deniz natural gas field contains approximately one TCM, which is sufficient to launch the "Southern Corridor", the network of pipelines that will help Europe diversify its supplies of natural gas away from dependence on Russia's state-controlled natural gas company, Gazprom, and change Europe's strategic energy map. All company representatives at the Erbil conference echoed Genel Energy (and former BP) CEO Tony Hayward that the KRI is "the last frontier" of untapped onshore hydrocarbons anywhere in the world. Moreover, the international companies unanimously praised the KRG for creating a friendly investment climate, with transparent production sharing contracts (PSCs) that are published on the internet and scrupulously honored in accordance with the rule of law. A Western diplomat based in Erbil affirmed privately that the companies were speaking accurately about how the KRG has indeed implemented the range of investment climate reforms Western governments urge globally, often to little avail.

Recognizing this great investment potential, ExxonMobil, Chevron and Total have signed deals during the past year with the KRG to develop major fields in the KRI. Baghdad has retaliated by excluding ExxonMobil and Chevron from the latest round of oil field tenders outside the KRI. And, in early August 2012, two weeks after Total announced on 31 July its oil exploration agreement with the KRG, Iraq's federal government issued Total an ultimatum: either choose cooperation with Erbil or maintain its investment in southern Iraq's Halafaya field. Iraqi Deputy Prime Minister for Energy Hussain al-Sharistani explained that Total "was requested to withdraw from this field, and it has been given a certain period to end this case by

selling its share to another company or by ending the contract with Kurdistan.”<sup>2</sup> Such threats from Iraq’s central government have not deterred these supermajors from partnership with the KRG. They have apparently decided not only that the KRI’s reserves merit jeopardizing their other Iraqi prospects, but that they will be able to export their future production from northern Iraq to Turkey, with Ankara increasingly willing to confront Baghdad as it embraces Erbil.

This evolution in Turkey’s position was motivated in part by economic considerations. Turkish banks, construction companies, and energy brokers stand to profit from massive investments in the KRI’s energy infrastructure and from energy trade. Moreover, Ankara is anxious to attract as much of the KRI’s oil and gas as possible into Turkey’s energy infrastructure. Turkey’s own market could absorb all of the natural gas produced in northern Iraq for years to come, especially given the serious deficit in its gas supply that is looming as early as 2014. Furthermore, Turkey would like to expand its terminal at Ceyhan into the Eastern Mediterranean’s key hub for Middle Eastern and Caspian oil and liquid natural gas.

Ankara’s political ambitions have played an even greater role than economic factors in reversing its approach to the KRI. Ankara aims to elevate Turkey’s geopolitical importance by attracting natural gas from the KRI into the Southern Corridor, and elevate Turkey’s strategic significance as an energy transit hub for Europe, the Caspian, and the Middle East. The quest for the Southern Corridor marks the second phase of a geopolitical effort that began in the mid-1990s, when Ankara worked actively to extend Turkey’s strategic reach as a connector of the Caspian Sea’s oil and gas resources with European markets. In the first phase, Turkey successfully pressed for the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and South Caucasus gas pipeline (SCP), in partnership with Azerbaijan, Georgia, and the United States.

Though compelling, these geopolitical ambitions for Turkey to become a trans-regional energy hub were insufficient to prompt Ankara’s dramatic and positive shift toward Erbil. After all, northern Iraq’s huge energy reserves have been anticipated by Ankara for decades. Ankara was able to conceive of the KRI’s energy assets as a strategic benefit only with a change in political thinking toward Iraqi Kurds. Ankara’s mindset began to shift within two years of the rise of Turkey’s AKP government. Prime Minister Erdoğan’s quest to differentiate his government from its predecessors led him to seek a less confrontational approach to Turkey’s own Kurdish population. In a landmark speech in Diyarbakır on 12 August 2005, Erdoğan proclaimed that the “Kurdish problem is my problem.” and that its solution lay in more democracy rather than repression. This political change in thinking

<sup>2</sup> Mohamad Ali Harissi, “Iraq gives Total ultimatum over Kurdish oil deal”, *Agence France-Presse*, 12 August 2012, <http://www.google.com/hostednews/afp/article/ALeqM5gWtZJBzCXD6vArp07rTq06HYpTVQ?docId=CNG.8a95bf6fc2dee49c9ce2778a158ef7fb.111>

enabled Erdoğan to recognize the potential strategic benefits of pulling Iraqi Kurds under Turkey's geoeconomic wing.

A critical development that allowed Erdoğan's new thinking toward Turkey's "Kurdish problem" to gain traction occurred on 5 November 2007, when President Bush announced publicly after his meeting with Prime Minister Erdoğan in the Oval Office that the U.S. considered the PKK "an enemy of Turkey and therefore an enemy of the United States," and furthermore, that he and the Prime Minister were directing their respective governments to work together to eliminate the PKK terrorist threat in Iraq. The President and Prime Minister turned to two participants in their meeting, Deputy Chairman of the U.S. Joint Chiefs of Staff James Cartwright and Deputy Chief of the Turkish General Staff Ergun Saygun, to lead an intergovernmental cooperation effort that delivered decisive results against the PKK. As one of Turkey's most senior diplomats told me in January 2008, "Your efforts against the PKK have changed everything. Now we can move ahead on our full range of energy issues."

The shift in Ankara's approach toward the KRG accelerated with the arrival of Ahmet Davutoğlu as Foreign Minister in May 2009. Davutoğlu espoused a break with Ankara's traditional foreign policy of Turkey being anchored in the West while serving as a bridge to the East, but under constant threat from external enemies and internal separatism. Instead, Davutoğlu advocated a foreign policy of extending Turkey's strategic depth into all of its surrounding areas, especially the Middle East, with a quest for "zero problems with neighbors." An underlying goal of this policy has been to forestall emergence a Shiite-dominated bloc in the Middle East. Iraq's Shiite-led government under Prime Minister Nuri al-Maliki, with its deepening partnership with Iran, appeared to signal the emergence of precisely such a regional Shiite bloc. The al-Maliki government's sharpening disagreement with the KRG over energy provided a key political issue for Ankara to pressure Baghdad.

Even before Davutoğlu moved from his position as the Prime Minister's foreign affairs advisor to become Foreign Minister, a tight group of senior U.S. and Turkish diplomats began strategizing discreetly in Autumn 2008 on the steps required to facilitate future exports of oil and gas from the KRI to Turkey. More visibly, then Turkish Minister of Energy Hilmi Güler asked me to co-chair with him the Turkey-U.S.-Iraqi Working Group on Iraqi Natural Gas, with the threefold goal of: facilitating profitable energy investments in northern Iraq, helping Iraq meet its natural gas demand and securing exports of natural gas from northern Iraq for Turkey and the Southern Corridor.

Despite strong economic justification for the projects under consideration, Iraqi politics were not ready for them. No senior Iraqi energy official ever participated in our

trilateral working group on natural gas – though we did receive encouragement from ethnically Kurdish officials in Iraq's federal government. Baghdad seemed intent on stifling development of the KRI's energy resources in a struggle for political control, locking horns with Erbil over the federal law defining the division of hydrocarbon revenues between Iraq's regions and its central government. U.S. policy followed suit, officially opposing any investment in the KRG's hydrocarbon resources until that law was finalized and enacted. That law remains in limbo to this day. As a result, the U.S. and Turkey again find themselves at odds over northern Iraq for political reasons. The U.S. opposes any energy initiative that might weaken the territorial integrity of Iraq –including deals by U.S. energy giants Chevron and ExxonMobil–, while political shifts in Turkey have led Ankara to seek partnership with the KRG to secure large scale exports of oil and natural gas to Turkey and Europe.

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It became clear during the Erbil energy conference in May 2012 that regardless of the U.S.' position, Ankara and Erbil now perceive their political interests as synchronizing with their longstanding economic interests. Turkish Minister of Energy Taner Yıldız repeatedly underscored the Turkish Government's support for investment by Turkish companies in the KRI's energy sector, stressing the historic and strategic significance of linking northern Iraq's Kurds with their Turkish neighbor and onward with European markets. Other conference participants reinforced Yıldız's strategic arguments, noting that incorporation of the KRI's natural gas into the Southern Corridor to the EU would open a new vector in the strategic development of all of Iraq, establishing a geoeconomic and geopolitical link with the Euro-Atlantic community for the first time in Iraq's history.

KRG Prime Minister Nechervan Barzani and Minister of Energy Hawrami boldly suggested during the conference that the KRG had taken a political decision to confront Baghdad on its efforts to control development of the KRI's hydrocarbons, including political foot-dragging on the hydrocarbon law. While Barzani and Hawrami emphasized the KRG's commitment to a unified Iraq, they also warned that oil and gas pipelines are being built northward and would cross the border with Turkey if, in their view, Baghdad remains intransigent on energy issues. Hawrami also announced the KRG was about to launch international tenders for a new round of major oil and gas fields. Another key initial step in the KRG's incremental push toward hydrocarbon exports to Turkey was to resume truck shipments of diesel to Turkey, which were suspended in 2007. These began in June, along with truck shipments of crude oil from the KRI to Turkish refineries, with the refined

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product trucked back into the KRI. It also emerged during the conference that Turkish companies are exploring possible energy-neutral swaps, with natural gas pumped from the KRI to Turkish power plants and the resultant electricity sent back to the KRI. Minister Hawrami suggested that if Baghdad persists with officially prohibiting Erbil from exporting hydrocarbons to Turkey, the KRG would complete pipeline links to Turkey and export four to five BCM of natural gas northward by 2014. Indeed, in late June 2012, the London-listed company Heritage Oil announced that it had commissioned a feasibility study on building a 320-kilometer gas pipeline from its Miran Field in the KRI to the Turkish border.<sup>3</sup>

At the same time, Barzani and Hawrami suggested they hoped the KRG and Baghdad could resolve their differences on energy policy. Erbil realizes that for years to come, the 17 percent of all of Iraq's oil export revenues to which the KRG is entitled under Iraq's Constitution will far outweigh revenues from KRI energy exports *via* Turkey. Failure to reach a common vision on development and revenue sharing from the KRI's energy resources risks heightening political tensions between Erbil and Baghdad, which could lead to consequences neither side wants. Baghdad's continued pressure on Erbil could lead the KRG to a point of no return in its energy connections with Turkey, and thereafter, to the loss of all of Baghdad's political control over its crucial northern province. Erbil also knows that if it pushes too far and too fast, it will jeopardize its share of the federal revenues on which it currently survives, while losing its chance to pull the strategically important city of Kirkuk into its economic and political orbit. Both sides realize that left unchecked, such developments could devolve into sectarian violence that would undermine the KRI's economic boom and relative security, and most ominously, threaten Iraq's very viability as a unified state.

These political considerations are prompting Ankara to move prudently in implementing its bold shift toward Iraqi Kurds. Ankara realizes its political shift has emboldened Erbil to work more actively to attract large-scale international investors to its energy sector notwithstanding Baghdad's and Washington's sharp disagreement. Yet before the KRI's economy takes off, Turkish and KRG authorities must still take a series of bold political decisions either to accommodate or confront Iraq's federal government in Baghdad, with confrontation risking renewed sectarian violence that, in a worst case, could realize Turkey's greatest fear: the breakdown of Iraq's territorial integrity and emergence of an independent Kurdistan that

<sup>3</sup> Leigh Elston, "Heritage considers shipping Miran gas to Turkey", *Interfax Energy*, 22 June 2012, <http://interfaxenergy.com/natural-gas-news-analysis/middle-east/heritage-launches-feasibility-study-to-ship-miran-gas-to-turkey/>

would fuel Kurdish separatism in Turkey along with its three-decade war with PKK terrorists that has already cost 40,000 lives.

A major determinant of the KRI's future course may lie more in the politics of Ankara and Damascus than Baghdad. If Syria breaks apart and an autonomous Kurdish region emerges that favors pan-Kurdish unity, Ankara may feel a need to rethink its political decision to hold Iraqi Kurds close as economic partners. Signs of a potential reevaluation emerged during July of 2012, when some in Ankara grew suspicions of the KRG's own geopolitical ambitions as KRG Prime Minister Barzani led efforts to unify Syria's Kurdish groups, with the PKK's Syrian affiliate in a prominent role. These suspicions were amplified by a sharp increase in PKK terrorist attacks within Turkey during the summer of 2012, which many Turkish observers believe have been encouraged and supported by the Assad regime. What is clear as of late August 2012 is that political factors will ultimately determine whether Turkey's historic cooperation with Iraqi Kurds on energy will continue. Commercial momentum will provide a strong incentive for Ankara's collaboration with Erbil to continue; but, ultimately, politics, not "peace pipelines," will determine the future of Turkey's relations with Iraq's Kurds and whether Iraq enjoys an historic new Euro-Atlantic vector in its geopolitical orientation.