

Iraq Situation Report. By Kenneth M. Pollack

Editors' Note: Brookings senior fellow [Kenneth M. Pollack](#) traveled to Iraq from March 9 to March 19 with Michael Knights of the Washington Institute for Near East Policy. The trip was sponsored in part by the Atlantic Council's Task Force on the Future of Iraq. They had extensive meetings in Baghdad, Sulaymaniyyah, and Irbil with Iraqi, Kurdish, American, and British officials. This is the first of a three-part survey on the situation in Iraq. (Read [the second post here](#) and [the third here](#).)

Part I: The military campaign against ISIS, published on March 28, 2016



The military campaign is gathering steam

The U.S.-led coalition's military campaign to "defeat" Da'esh (the Arabic acronym for ISIS) appears to be going better than is widely realized. The media [has begun to pick up on this](#), but so far, the accounts do not seem to do it justice. The coalition has trained (or retrained) six Iraqi brigades, typically called the "Mosul Counterattack Brigades" or just the "Counterattack Brigades." It was these formations that did most of the work at Ramadi and several are being shifted north to begin the Mosul operation. They are performing considerably better than other Iraqi brigades, a fact that is increasingly understood throughout the Iraqi government, boosting their prestige and the influence of the United States.

Coalition air power is hitting Da'esh much harder than in the past, not because any additional assets have been allocated, but because the American military leadership has been able to convince the Iraqis to forego copious on-call fire support and plastering the ground in front of Iraqi formations with air strikes before even the smallest Iraqi offensive. As a result, U.S. commanders have been able to direct far more strike sorties against deliberate targets such as Da'esh's oil, money, bomb-making plants, transportation, and leadership targets. Moreover, the coalition has been able to employ Special Operations Forces (SOF) more aggressively and creatively than in the past, achieving some impressive synergies with the air and conventional ground campaigns.

The United States has also put some additional assets into the fight in Iraq, such as the tube artillery deployed to Makhmur and advanced multiple-rocket launcher systems that have been employed elsewhere in Iraq. As [the press is already reporting](#), there are probably about 5,000 American troops in Iraq—not the 3,800 the U.S. government typically claims—and they are far more involved in combat operations than most

recognize. Moreover, expect the U.S. military to ask for both more assets and more permissive rules of engagement to enable them to provide greater direct support to Iraqi forces in the field as part of the operations against Mosul.

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As a result, there is growing evidence to suggest that Da'esh is taking a beating. Da'esh has not mounted a successful offensive operation essentially since Ramadi and Palmyra in May 2015. Moreover, whenever they have tried during the past six months, the attack has been smashed quickly and efficiently, typically suffering 60 percent or higher casualties (a historically catastrophic rate). There are indications that the morale of Da'esh fighters in Fallujah and Mosul is growing somewhat fragile, with Da'esh commanders worrying that their troops will neither attack nor defend as strenuously as they once had. As further evidence of problems, Da'esh is increasingly shifting both new recruits and experienced cadre from Iraq-Syria to Libya.

In contrast, the sense of momentum and coming victory by the coalition is also encouraging more and more Sunni tribesman to abandon Da'esh—or simply find the courage to defy them—and join Sunni Popular Mobilization Forces (*Hashd ash-Shaabi*, or *Hashd* in Arabic). American military and embassy personnel reported that since the fall of Ramadi, several thousand had shown up for training from Anbari tribes. They described it as a sudden and dramatic change from the prior 18 months.

The Iraqi high command remains very problematic, but even there the coalition command team appears to have made some noteworthy progress. The coalition seems to have more say in which Iraqi commands are entrusted to lead key ground operations, and has been able to inject some greater alacrity into the typically ponderous Iraqi military leadership. Of course, this last problem has been greatly ameliorated during the campaign along the Euphrates valley because Da'esh's defenses are [crumbling west of Ramadi](#). Still, Iraq's command and control problems may be the most important impediments to further progress, at least at present.

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Baghdad's [announcement](#) that the liberation of Mosul has begun is a bit premature. As [has been widely reported](#), Iraqi forces are pushing toward Qayyarah West airfield, west of the Tigris river south of Mosul. Qayyarah West can then serve as a logistical hub and staging base for a more deliberate assault toward Mosul somewhat later. Assuming that the Iraqis and the coalition continue to prioritize the liberation of Mosul over finishing off the Da'esh strongholds along the Euphrates valley, and barring some unforeseen development that hamstring the Iraqis or revives Da'esh's fortunes, it is entirely possible that Mosul could fall in the next 6 to 12 months.

Credit for this progress should go to Lt. General Sean MacFarland, the commander of Operation Inherent Resolve, and his team, who have taken a disorganized and fragmented effort and turned it into something starting to resemble a well-oiled machine. MacFarland and his team, many of them seasoned Iraq veterans, are demonstrating how much can be achieved even with relatively modest U.S. and Western forces, and even when you are forced to "punch with somebody else's fists," as they say.

The persistent danger of catastrophic success

While the military campaign against Da'esh is starting to move ahead smartly, the civilian side of the effort is not keeping pace. This is deeply problematic because, [as I warned over a year ago](#), even decisive military success against Da'esh is likely to prove ephemeral if there is no plan (nor any effort to implement such a plan) to create a political context where tactical military victories can be translated into enduring, political achievements. Indeed, the situation could actually be worse under those circumstances because we will have removed the common threat of Da'esh, which is one of the few forces currently holding various Iraqi groups together.

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First off, there does not appear to be plan for the stabilization and reconstruction of Mosul after it falls. [In U.S. military parlance](#), these tasks are part of Phase IV of any campaign plan. Infamously, the United States did not have an articulated, resourced Phase IV to the operations plan for the invasion of Iraq in 2003, hence the catastrophic failure of the post-invasion occupation for the next three years. In 2011, the United States effectively had no Phase IV plan for the withdrawal of U.S. forces from Iraq either. Arguably, such a plan existed on the military side, but it was never implemented by the civilian side once the military withdrew. Either way, Iraq's slide back into civil war by mid-2014 was the inevitable result of this parallel failure. Today, we are facing another massive military operation (the fall of Mosul and the final "defeat" of Da'esh in Iraq) and once again we do not yet have a Phase IV plan. And while we still have some time, building such a plan, resourcing it, and preparing to implement it are such monumental tasks that they should have begun six months ago.

This is especially problematic because the intelligence suggesting the fragility of Da'esh's forces in Mosul—and the convergence of all manner of Iraqi, coalition and regional forces around Mosul—raise the possibility that Da'esh forces there might implode or flee before the coalition is ready to take the city deliberately. That would trigger a stampede of various groups claiming parts or all of Mosul that could lead to all kinds of internecine conflict. In these circumstances, the United States would have to try to get the Iraqis to quickly improvise a plan. Given the difficulty of getting the Iraqi military (and civilian) leadership either to improvise or to move quickly in small operations, the prospect that we would need them to do both for a massive undertaking like Mosul seems like a disaster waiting to happen. Having those plans and everything necessary to implement them must be a top priority, lest the "liberation" of Mosul turn into yet another American-Iraqi fiasco.

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Moreover, it is important to keep in mind that the military campaign remains solely aimed at Da'esh. Stabilizing Iraq is a lesser task included in the current mission, meaning that it often gets short shrift for attention and resources. As [I have repeatedly argued elsewhere](#), the history of civil wars demonstrates that this is a huge mistake. It could easily produce the collapse of Da'esh and its replacement by "son of Da'esh" which will almost certainly be even worse than Da'esh (just as Da'esh is the

“son of” al-Qaida and even worse than it) because we will not have addressed the circumstances that gave rise to Da’esh in Iraq and Syria in the first place.

The militia question

Another critical political-military problem is the question of the Hashd ash-Shaabi. Prime Minister Haider al-Abadi is clearly well aware of both the importance of the Hashd (they were critical to halting the Da’esh offensive against Baghdad in 2014) as well as their potential to undermine Iraq’s future stability and security if they endure as an Iranian-backed alternative military—an Iraqi Hezbollah. We noted that even key Hashd ash-Shaabi commanders duly intoned that they intend for Hashd personnel to eventually be incorporated into the armed forces, although it is impossible to gauge their sincerity.

The government’s original plan was to start paying the Hashd, and so use the “power of the purse” to gain control over them. Once that was accomplished, Baghdad would eventually demobilize most and integrate the rest into the Iraqi armed forces. Unfortunately, Iraq’s financial crisis has made that impossible. Instead, the government is now considering conscription as a way to handle the problem. The idea is that if there is universal conscription, all of the members of the Hashd will eventually be conscripted and placed immediately under the armed forces.

Universal conscription could be hugely beneficial to Iraq in many ways. At the most basic level, universal conscription would mitigate Iraq’s massive (and growing) problem with youth unemployment. It would allow Iraq to build an integrated, non-sectarian military force that could be accepted by the populace and help to bind it together. More than that, as the Israelis demonstrated beginning in 1948, because military service is such a powerful method of socialization, conscription would allow Baghdad to build a new Iraqi political culture to heal the rifts that have occurred since 2005 (and to a lesser extent since 1991). Indeed, some Iraqi military personnel are actively exploring the Israeli model to think about how Iraq might use conscription to help heal the rifts and build a new, unified Iraqi society.

It is not clear, however, if conscription will solve the problem of the Hashd. First, Iran or its Iraqi allies may block it, although this too is far from certain. Nevertheless, the Iranians or key leaders of the Hashd may conclude that it is just too useful to them to have the Hashd as an independent military responsive to them as a check on Baghdad and the United States. Both Tehran and its Iraqi friends wield considerable influence in Iraq, although that influence has waned somewhat as a result of the greater and more successful U.S. effort (see below).

Second, even if the Iranians or the Hashd leadership chooses not to block conscription, they might insist on exemptions for the Hashd personnel—or that the Hashd remain as a standing force and get its share of new recruits. Finally, Iraq is probably still several years away from being able to implement conscription, and the Hashd could do a lot of damage between then and now, including institutionalizing itself in ways that might make it much harder to eliminate when and if conscription ever materializes. Thus, conscription is a great idea and it could be a solution to the problem of the Hashd, but there is no certainty it will be.

Ephemeral or durable?

The purely military aspects of the campaign appear to be progressing well, finally beginning to hit on all cylinders. A superb American command team has found important news to greatly improve the impact of U.S. air power, SOF, and direct support. The Iraqi Army has been partly rebuilt, and those units retrained and re-equipped by the coalition are performing noticeably better than the others. While the coalition's military power is slowly building, the increasing pressure on Da'esh is diminishing its capacity to resist.

Unfortunately, as has been a trademark of American involvement with Iraq at least since 2003 (and arguably since 1991), military success is not being matched with the commensurate political-economic efforts that will ultimately determine whether battlefield successes are translated into lasting achievements. In particular, the absence of developed and resourced plans to deal with post-conflict stabilization and reconstruction, and the lingering question regarding the future status of the militias raise huge questions about whether these victories will prove as ephemeral as America's many past triumphs in Iraq.

Iraq Situation Report, Part II: Political and economic developments, published on March 29, 2016



Persistent political paralysis

As has too often been the case in Iraq, [progress in the military sphere](#) is not being matched by equivalent (or even commensurate) political progress. I continue to see Prime Minister Haider al-Abadi as a decent, intelligent man who wants to take Iraq in what I consider to be the right direction: toward ethno-sectarian reconciliation, more efficient government, and a more balanced foreign policy (or at least reduced foreign influence in Iraq). He continues to make smart moves in the military sphere, he has taken some important steps to decentralize power to the provinces, and his desire for a more technocratic and less political (or cronyist) government is laudable. However, his government continues to have little to show for all its good intentions, and that is costing the prime minister support in a variety of quarters.

[Abadi's] government continues to have little to show for all its good intentions.

Unfortunately, the prime minister has undermined his own courageous efforts several times by mishandling the politics of important programs. He failed to consult with key Iraqi powerbrokers before announcing his reform agenda at the end of last summer, and so got little buy-in for his proposals. He made the same mistake several weeks ago, suddenly announcing a cabinet reshuffle, only to find that effort similarly sandbagged and beset by Iraq's various political parties, especially rival Shiite groups.

He continues to operate with an inordinately small staff that, while very able man-for-man, lacks the manpower to drive Iraq's elephantine bureaucracy. That staff is working primarily on a series of long term political and economic reforms which seem extremely intelligent, creative, and necessary. (While I heard descriptions of these reforms, I did not see any of the plans themselves, let alone anything indicating how and when they would be implemented. So while they sounded like exactly what Iraq needs, I cannot state unequivocally that I know what they will entail or even that they are more than just a theoretical program) Moreover, because these reforms are designed to address Iraq's deep, structural problems, they will inevitably take a long time to begin and show results. There is a real danger that even if they prove to be as perfect as they sound, they may come too late to address Iraq's (and Prime Minister Abadi's) pressing, current problems.

These circumstances have opened the door to Abadi's key Shiite rivals. Muqtada al-Sadr is trying to usurp the prime minister's reform platform, staging regular public demonstrations demanding that the prime minister make good on his pledges—which Sadr's people continue to block behind the scenes. Former Prime Minister Nuri al-Maliki has moved on his own to "handle" the security problems caused by Sadr's street protests, threatening to make Abadi look ineffectual while simultaneously backing up his own claims that he is the only (Shiite) leader who can handle the security threats that Iraq faces. Meanwhile, the Marja'iyeh, the Shiite clerical establishment of Najaf, evinces frustration with Abadi's inability to enact the reforms that he has announced and that they have demanded, but it is not pushing for his replacement.

Indeed, while some extremely knowledgeable Iraqis believe otherwise, we saw little evidence that Abadi was likely to fall in the near future. Again, the Marja'iyeh is not happy with the situation, but they have not turned against him the way that they did with Maliki in the summer of 2014, which was the key to Maliki's removal. None of the major parties who would have to unite to bring Abadi down can agree on a replacement. The Iranians, for their part, do not appear to be pushing a specific replacement even though they are wary of Abadi for pushing back on them several times in the past. Moreover, the United States staunchly backs Abadi, both because he is a good man in a hard job, and because it does not want to re-open Iraq's political can of worms to form a new government (a process that could take months) in the midst of a military campaign that is finally starting to gain some traction.



Michael Knights and Kenneth Pollack speak with Iraqi Prime Minister Haider al-Abadi. Photo credit: Office of the Prime Minister of Iraq.

The Lebanonization of Iraq

Consequently, I have an unfortunate sense that Iraq is drifting toward “Lebanonization.” Indeed, this might actually represent a good case outcome for Iraq, given the potential for catastrophic military success to produce a resumption of the civil war as an alternative, worst case scenario. By Lebanonization, I mean not only the existence of a Hezbollah-like, Iranian-dominated militia with all of the problems that that entails, but the utter paralysis of the political process, which in turn paralyzes the wider governance and economic systems of the country. Inevitably, there are efforts by folks outside of Baghdad to do for themselves because Baghdad can’t do anything for them. Some of these local efforts are being encouraged and even funded by the U.S. embassy and international NGOs. But as we have seen in Lebanon, there is a very real limit to how much local action can make up for the paralysis of the organs of the central bureaucracy. It limits growth, stunts development (especially for future generations because of its impact on the educational sector) and encourages a widespread disillusionment that can be either enervating or explosive—and can shift quickly from one to the other.

As part of this debilitating process, reconciliation among Sunni and Shiite Arabs remains moribund. President Fuad Massoum has convened a committee on reconciliation to try to push the process forward, but the committee rarely meets, and when it does, it accomplishes little. Sunni leaders are pleased with Abadi’s willingness to decentralize authority and resources to the governors of Anbar and Salah al-Din provinces to help with the reconstruction of Ramadi and Tikrit respectively, but still regard it with suspicion, fearing that the prime minister is giving them that rather than seats at the table in Baghdad.

[R]econciliation among Sunni and Shiite Arabs remains moribund.

Even some of Abadi’s closest allies among the moderate Sunni leadership are becoming frustrated that there is so little tangible progress on reconciliation. Of course, the Sunni leadership remains badly fragmented (even more so than the ever more fragmented Shiite leadership), but the government makes little effort to unify them or to use proxies to negotiate on behalf of the Sunni community. As [I have written previously](#), I believe it critical for the United States to take on that role because I do not believe the Iraqis are able to do so themselves. That point was only reinforced by my impressions from this trip.

Many Sunni and Shiite leaders (as well as many American officials) are touting “bottom-up” reconstruction—average Sunnis and Shiites living, working, and rebuilding communities together. While that is a terrific thing—both useful and probably necessary—the history of civil wars demonstrates that there are very sharp limits on what can be achieved from the bottom up if there is not a corresponding top-down effort. Without it, the bottom-up approach is likely to start running into hard “ceilings” that will divide them again, leading to further disillusionment or renewed violence. Without a broad agreement at the top regarding the basic distribution of political power and economic benefits—and so framing a vision of a future Iraq—the bottom-up approach can only go so far.

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Some help for the economy?

Iraq's financial crisis remains acute as a result of persistent low oil prices. That, plus the frustrating bureaucratic logjams and burgeoning security problems in southern Iraq (a result of the shift in Iraqi security forces to the north to battle Da'esh), have created significant headaches for the international oil companies operating in southern Iraq. Since Baghdad unfortunately insisted on contracts that left those companies with very low profit margins, the oil companies have shown less interest in investing in southern Iraq in the face of these problems.

Excluding the Kurdish region, Iraq is producing about 4 million barrels per day (mbd), with about 3.2 mbd going to exports. Baghdad expects that that will grow only to about 4.1 or maybe 4.2 mbd in 2016. Projections of 6, 9, or even 12 mbd of production—which once were common—now seem a long way off, if they are ever to be realized. Moreover, many Iraqi government officials are concerned that oil production might even begin to decline in 2017.

Iraq recently signed a contract with an Italian engineering firm to begin repairing the damage to Mosul dam. The contract was brokered and shepherded by the U.S. embassy, which believes that if the dam can last until the Italians begin work (probably in June), they should be able to avert a natural disaster of biblical proportions.

Of greatest importance for Iraq, some major infusions of cash may be just over the horizon. Iraq is negotiating with the International Monetary Fund for financial relief which, altogether could amount to more than \$9 billion. In addition, the Obama administration is trying to put together a bilateral package that could be worth \$1 to \$1.5 billion. American diplomats will then use both to try to raise additional funds for Iraq from other members of the Counter-ISIL Coalition.

The likely prospect that Iraq will receive billions in foreign aid at some point in 2016 has greatly mitigated the sense of panic in Baghdad. In one respect, relieving that pressure was much needed. However, it threatens to eliminate support for desperately needed economic reforms, such as those that Prime Minister Abadi's team is reportedly working on. If that turns out to be the case, it could be (yet another) important missed opportunity.

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Shifting patterns of foreign influence in Iraq

Finally, as many of the points above (and [in Part I of this assessment](#)) should have suggested, American influence in Iraq has increased in meaningful ways. Simply put, the United States is investing significant new resources in Iraq—from additional military assets to considerable financial aid to more active diplomatic and military leadership—and doing so is bearing obvious fruit. Ambassador Stuart Jones has proven himself to be an able and highly intelligent diplomat, extremely savvy but also very constructive in his engagements with the Iraqis. Brett McGurk, the Special Presidential Envoy for the Counter-ISIL Coalition, is a keen legal mind and a true problem-solver, who has earned the trust of virtually the entire gamut of Iraqi politicians in over a decade of constant engagement.

Between McGurk and Ambassador Jones's embassy on the civilian side, and Lieutenant General MacFarland's team on the military side, there is a real sense that—for the first time in a long time—the United States is punching at its weight, and might even be punching above it. Of greatest importance, it is the combination of skillful personnel with some real resources to work with that has enabled the United States to once again exert meaningful influence on Iraqi activities.

The change is evident in Baghdad. Iraqis no longer dismiss the United States and its wishes, as was the case from 2012 to 2015. Now, the fact that the United States wants Abadi to remain in power appears to be of real importance to Iraqis—and we heard that as a reason for why he's likely to remain in power more often than any explanation having to do with the Iranians. Iraqis increasingly recognize that only military operations backed (if not run) by the Americans are likely to succeed, and that the formations trained by the U.S.-led coalition are unquestionably the best in the army, able to do things that other Iraqi formations, including the *Hashd ash-Shaabi*, simply cannot. Moreover, Iraqis know that only the United States can help them with their severe financial problems, and the billions of dollars the United States is working to get Baghdad have forced a great many Iraqi leaders to take notice.

Nevertheless, Iranian influence remains very strong, unquestionably greater than that of the United States, as American diplomats readily attest. But Iranian influence is noticeably diminished in recent months. There are reports indicating that even the Iranian-backed formations within the *Hashd ash-Shaabi* are not getting paid. Many Shiites question why Iraqi Hashd formations are being sent by the Iranians to Syria to fight and die for the Assad regime. Although the Hashd continue to make progress with their ethnic cleansing campaign in Diyala province (and may be trying to extend it to Salah al-Din province) they are doing poorly in Anbar. While the Americans and Iraqi Army liberated Ramadi, the Hashd have floundered at Fallujah. Iraqis know that Iran lacks the financial resources or international diplomatic clout to help Baghdad with its financial problems the way that the United States can (and is). As one indication of this shift, the billboards on display in Baghdad in 2015 thanking Ayatollah Khamene'i and the Iranian Revolutionary Guard Corps for saving Baghdad from Da'esh are gone.

An uncertain trajectory

Politically and economically, Iraq's trajectory is currently a negative one. The country is politically fragmented at all levels and the centrifugal forces appear to be gaining strength. This, in turn, has paralyzed the government, suggesting that the most likely paths for Iraq are toward a situation analogous to the Lebanon of today, if not the Lebanon of 1975 to 1991. Moreover, there is no obvious solution from the Iraqi side, nothing out there that can currently be foreseen that seems likely to pull Iraq off its current path and put it onto a more positive and constructive one.

However, recent developments continue to suggest that the United States could serve as that much-needed catalyst to shift Iraq to a more positive trajectory, if it were willing to do so. In the past six months, a team of able American personnel with real resources at their disposal have engineered some important and unexpected changes in key areas. There is no reason to believe that they could not do more if given the opportunity and the assets to do so. The only question is whether the White House is willing to do so, or if it will once again walk away from Iraq prematurely, and leave [yet another Mess-o'-potamia](#) for its successor to clean up.

Iraq Situation Report, Part III: Kurdistan



Kurdish military fortunes improving

Developments within the Kurdistan Regional Government (KRG) are every bit as complicated as those in Baghdad. In the military realm, the Peshmerga are enjoying a similar improvement to the Iraqis in their fortunes. Da'esh attacks are now regularly beaten back with heavy losses and the Kurds are very comfortable holding their positions as long as they have American fire support. Limited Kurdish offensives have also been increasingly successful, again as long as they have American air and Special Operations Forces (SOF) support, command and control, and other assistance. As with the Iraqis, the Peshmerga cannot match first-world military capabilities, but their effectiveness is improving.

The Peshmerga have not availed themselves of training from the U.S.-led coalition to counter Da'esh to the same extent that the Iraqis have, but the Kurds can boast that at least their party-specific formations have shown higher levels of morale and unit cohesion than Iraqi formations. (The coalition has made clear that it will only train *integrated* formations of Peshmerga so as not be training one party's militia to potentially fight the other.) The Kurds continue to complain that Baghdad is blocking weapons from reaching them, but U.S. officials insist that no such diversions are taking place and the Kurds are getting everything they have been promised, even if it is not what the Kurds want (and, I would argue, justifiably need).

Indeed, the Kurds still have too few Milan anti-tank guided missile launchers, too few Mine-Resistant Ambush Protected vehicles, too little artillery or other armored vehicles, given the size of the front they are defending and the ability of Da'esh to employ large, armored suicide-bomb vehicles. This leaves the Peshmerga heavily dependent on coalition air power, which is fine as long as that is available. So far, it consistently has been, but the looming Mosul offensive will be highly complex and demanding, and there is some chance that the situation could get out of hand. Providing the Kurds with additional heavy weapons would help to mitigate this risk, even if it is slight.

Political paralysis, Kurdish style

As in the south, the problems lie overwhelmingly in the political and economic realms. Kurdish politics is fragmenting in a mirror image of Iraq's splintering polity. The strong, working relationship forged by the Kurdistan Democratic Party (KDP) and Patriotic Union of Kurdistan (PUK) in the aftermath of their 1996 civil war seems in danger of breaking down again. Many PUK members openly delight in the KDP's misfortunes and side with the Gorran (or Movement for Change) party in opposition to the KDP on many critical issues. The KDP and the Gorran party are locked in an acrimonious death grip, with

Gorran accusing the KDP of ruling illegally and dictatorially, and the KDP accusing Gorran of being nothing but spoilers with no practical plan of action.

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The rupture that occurred last fall (when Gorran party members attacked several KDP party facilities and the KDP blocked the Gorran speaker of parliament from entering Irbil) still has not been healed. Pragmatic elements on all sides are looking for ways forward, and some reasonable plans have emerged, but it has been distressingly difficult to see them enacted. That is especially true because Gorran chief Nawshirwan Mustafa is said to be in self-imposed exile in London ("pouting" was the word one senior Kurdish official used), refusing to see anyone or do anything. In his absence, Gorran party officials cannot unite around one course of action and accept the overtures from the KDP, including President Masoud Barzani.

In addition, the splits within each party are also becoming acute. Within the KDP, two rival camps continue to battle for the soul of the party. On the one hand are those who favor a rapid move toward independence. They believe that Turkey will support it and that it will resolve most or all of Kurdistan's problems by enabling the new Kurdish state to sell oil at the international rate, issue debt, buy weapons directly, and control its own monetary policy. This group is opposed by a rival that worries that independence will make the KRG too dependent on Turkey and that while a Kurdish state will have the legal authority to do all of those things, it won't be able to do so as a practical matter. Instead, they favor a more deliberate process of moving toward independence in 5 to 10 years, during which time bilateral negotiations could work out thorny issues like the status of Kirkuk and the border between Iraq and a new Kurdish state. In the interim, this group believes it important for the Kurds to reconcile with Baghdad, if only to alleviate their financial circumstances.

For its part, the PUK has not yet settled on a stable, effective answer to the problem of the loss of party founder (and President of Iraq) Jalal Talabani to illness. Talabani's wife, Hero Ibrahim Ahmed (or Hero Khan), former KRG Prime Minister Barham Salih, KRG Vice President Khosrat Rasul Ali, and other senior PUK leaders are all jockeying for power—either to succeed Talabani as undisputed leader of the PUK, or else to gain ascendancy in a power-sharing arrangement among them. At present, Hero Khan appears to be slowly gaining the upper hand, but it is a tedious process and she is not yet able (or willing, her critics claim) to exercise decisive leadership. That leaves the PUK able to cause problems for the KDP, but unable to advance a coherent agenda of its own, which is frustrating to both parties.

I found it striking how stuck the Kurds are, and how even the best and brightest among them do not have a clear—or clearly plausible—plan for extricating themselves from the political deadlock. It is going to take a lot of hard bargaining, a considerable willingness to overlook past grievances, and a certain amount of luck to do so.

Oil and independence

Between the internal divisions and the economic crisis, many senior Kurdish officials indicated that they think it unlikely that the Kurds would declare independence this year. In fact, a considerable number averred that it was unlikely that they could even hold a proposed referendum on independence, which the KRG had hoped to conduct this fall,

around the time of the U.S. elections. Those who doubt that the KRG will be able to do so uniformly argue that a referendum would be too costly for the cash-strapped KRG. Some also suggested that given the extent of the divisions and feuds among the Kurds, a putative referendum on independence could turn into an actual referendum on the KDP's leadership, which could prove both disastrous for the cause of Kurdish independence and dangerous to the stability of Kurdistan.

Consequently, the Kurds may opt for a new oil deal with Baghdad instead. If independence is pushed further out on the horizon, the Kurds will need to find some other way to deal with their own financial circumstances, which are far more precarious than Baghdad's because the Kurds cannot control their monetary policy, issue debt, or take other steps available to a sovereign nation. The Kurds have not paid salaries to their own bloated public sector for months, and even the police have gone on strike to protest. A new deal with Baghdad would allow the Kurds to sell oil at the market rate (they currently must sell at a discount to convince buyers to accept the legal risk that Iraq might take them to court). It would also allow the Kurds to get their share of the anticipated International Monetary Fund and foreign aid packages, which Irbil needs even more badly than Baghdad. Indeed, the Kurds are so desirous of a new deal that their more pragmatic leaders are now talking about accepting 17 percent of Iraq's actual, total oil revenues (i.e. Kurdish and Iraqi oil sales combined) rather than demanding 17 percent of the federal budget as in their prior agreement.

[F]inancial circumstances...are far more precarious than Baghdad's because the Kurds cannot control their monetary policy, issue debt, or take other steps available to a sovereign nation.

Inevitably, the newfound Kurdish interest in a deal has been matched by a sudden Iraqi reluctance. Baghdad seems to understand that it now holds the whip hand in the negotiations and is not in any rush. The Kurds are hurting worse than the Iraqis, and Baghdad has the prospect of getting much bigger infusions of cash than the Kurds. Both the United States and the IMF have stated that their assistance assumes that about 17 percent would go to the Kurds, but without a new oil-sharing agreement it is not clear that Baghdad will legally have to comply, or that those donors could circumvent Baghdad and deliver the money directly to the KRG. There is widespread agreement that signing a new deal would avoid the need to arbitrate all of this and therefore that it would be best to strike one before the money starts to flow. But many in Baghdad seem quite willing to let the Kurds twist in the wind, either out of spite or to secure an even better deal.

One very positive development is that the United States has agreed to provide military funds to pay many of the Peshmerga's most important costs—including food, medical supplies, and other basic needs—to the tune of several tens of millions of dollars per month. This is a big boost for the Kurds, and by itself will reduce the Kurdish budget deficit to a considerable extent. It will also provide the United States with greater leverage over Kurdish military operations, which grows in importance as the battle for Mosul looms ever nearer. Mosul north of the Tigris is a Kurdish city—and not just a Kurdish city, but a KDP city. Kirkuk, on the other hand, is an overwhelmingly PUK city. Many in the KDP fear that when Kirkuk is finally assimilated into the KRG, it will tip the political-demographic balance in favor of the PUK. Thus, there is widespread speculation that the KRG may move to claim the Kurdish half of Mosul as part of the liberation of the city to preserve the current balance between the Kurdish parties. The United States understands that prospect, and the embassy and American military leadership

accordingly want to maximize their ability to influence Kurdish actions during the liberation of Mosul.

KRG economics

To a much greater extent than in Baghdad, the financial crisis is promoting and enabling real economic reforms in the KRG. To their great credit, Prime Minister Nechirvan Barzani and Deputy Prime Minister Qubad Talabani have enacted real reforms and are pushing to implement others. They have slashed government salaries across the board (ranging from a 15 percent cut for the lowest-paid to a 75 percent cut for the highest). They have used low oil prices to begin removing subsidies on gasoline. They have secured World Bank funding to enable them to recapitalize the electrical grid (which could save them as much as 40 percent on their domestic power production costs) and are looking to install meters and begin charging their citizens for electricity usage in the near future. They plan to begin privatizing the electrical providers and to convert the power plants to natural gas (to be supplied by the nascent Kurdish gas industry).

They also brought in a former Lebanese minister of finance to overhaul the finance ministry—believing that no Kurd would trust any other Kurd to do so. In a similar, and even more far-reaching move, they have secured assistance from the British government to bring in Deloitte Accounting to perform a comprehensive audit of the KRG Ministry of Natural Resources (the oil ministry) to identify and eliminate corruption. (The Kurdish Prime Minister told us with admirable candor: “look, I know that none of my people will believe that we are being transparent with the oil ministry no matter what we do, if we do it ourselves.” Hence his decision to bring in Deloitte and the Brits to do it instead.)

Moreover, Prime Minister Barzani and Deputy Prime Minister Talabani are pushing forward other important reforms, like eliminating expensive and corrupt “allowances” for public sector workers, requiring every government employee to register in a biometric database to eliminate “ghost soldiers” and payroll padding, and building new government websites to enable “e-government” transactions that would remove both the need for many current government employees and the payoffs currently required to get anything done in the existing, corrupt, person-to-person system. If coupled with proposed new initiatives in education, worker retraining, investment laws, and other areas, such moves could have a huge impact on Kurdish economic fortunes.

Even if Kurdistan does not turn out to be the hydrocarbon juggernaut it was once thought to be, it will still have significant production.

However, the down side of Kurdish economic fortunes is that the Kurdish oil industry is facing grim prospects and Irbil’s leadership does not yet seem willing to acknowledge that reality.* Simply put, the major international oil companies aren’t finding the hydrocarbon deposits they’d hoped for in Kurdistan. The number of wells sunk that have yielded real returns is far less than expected. That by itself has cooled the ardor that the international oil companies once felt for Kurdistan. Combine that with the inability of the KRG to repay them for the loans that many extended to Irbil because of the financial crisis, and you get a major shift in oil companies’ interest away from Kurdistan. Yet Kurdish leaders still focus largely on their financial problems and many do not seem to have come to grips with the widespread perception that the region is not yielding new hydrocarbon deposits as expected.

All of this further emphasizes the importance of Kurdish reform plans. Even if Kurdistan does not turn out to be the hydrocarbon juggernaut it was once thought to be, it will still have significant production, just not as much as the Kurds dreamt of. They probably will never be “Abu Dhabi in the mountains,” and so must shift their political and economic sights in a different, more practical direction. Their reform agenda creates a real prospect that they can do so, and in so doing lay a firm economic foundation for independence at some point in the next decade. As always in the Middle East, the question is whether the reforms are continued after the immediate crisis has passed.

**My thanks to Michael Knights for the points in this paragraph. They are drawn entirely from his research and analysis.*



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