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## Turkey's global strategy: Turkey and Iraq

### Report

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# Turkey and Iraq

Hasan Turunc

## OVERVIEW

**I**nteraction between Turkey and Iraq is rapidly increasing, with economic and strategic interests driving political cooperation, yet there are still longer-term challenges remain to be solved, particularly in relation to energy and water security. Iraq is one of Turkey's most important trading partners and is becoming an essential source of energy. It attaches great deal of importance to Iraq's stability and territorial integrity and sees those matters as crucial to its own security and stability. Turkey has become more active in Iraqi affairs, including burgeoning trade and investment relations, close communication with influential political actors and pro-active engagement with Iraqi Kurds. The elimination of the outlawed Kurdistan Workers' Party (PKK) is a major security objective on the agenda of Turkish-Iraqi bilateral relations. Moreover, the future status of Kirkuk, an ethnically mixed city of Kurds, Arabs, and Turcomans, among them Muslims and Christians and home to some of the Iraq's largest oil reserves, is another cause for concern for Turkey. Turkey's principal anxiety is that the oil riches of Kirkuk will only encourage the Kurdistan Regional Government (KRG) to seek greater autonomy, which may spill over into its own borders and spark unrest among Turkey's own Kurdish population. Essentially, energy, economy and reconstruction form the crux of the Turkish involvement in Iraq.

Iraq, albeit reluctantly, perceives Turkey as an essential political power in its neighbourhood and a useful ally to rebuild Iraq's economy and maintain a stable route for its exports. The Kurdish region has attracted enormous Turkish investment which has been central to its stability and development. However, this very region has put immense constraints on Turkey-Iraq relations since Turkey has serious concerns about Kurdish autonomy and PKK activities in northern Iraq.

A further area of political difficulty is the final status of the oil-rich Iraqi province of Kirkuk. Turkish officials have voiced their concerns over the fate of Kirkuk on a number of occasions, fearing that if Iraqi Kurds annex Kirkuk into their autonomous region, they will eventually want to carve out an independent Kurdish state in northern Iraq and thus stoke separatist desires in Turkey's own Kurdish population. With the aim of preventing such an eventuality Turkey has developed close relations with Turcomen population that lives in Kirkuk in order to influence the developments and is utilising this small minority as a bargaining chip.

## BACKGROUND

After the World War 2, Turkey usually cooperated with other western allies in the Middle East such as Iran, Israel, and Jordan in order to contain the influence of those countries regarded as Soviet clients, including Egypt, Iraq, and Syria. Since 1954, Turkey has hosted a US Air Force base at Incirlik, which

has played a critical role during the Cold War, the Gulf War, and the recent Iraq War. During the 1990s Iraq was Turkey's leading trading partner, with the Turkish Mediterranean port of Ceyhan receiving oil by pipelines starting from Iraq's northern oil fields and Iraqi markets were enjoying a wide range of goods from Turkey. Yet as the decade wore on United Nations sanctions had devastating effects both on the Turkish economy and Iraqi-Turkish trade relations. The United States-led invasion in 2003 caused instability on Turkey's border with Iraq just as its fear of Kurdish separatism in northern Iraq was growing dramatically. The Iraq war made it imperative for Turkey to further cooperate with its immediate neighbours, including Iraq and Iran, since the war led to a seismic shift in the strategic balance of power and triggered deep structural changes in the Middle East. As such, Iraq's fragmentation from a unitary state into a sectarian-divided entity had grave implications on the systemic order of the region. No longer could Iraq act as buffer in a highly volatile part of the world, which involved thwarting Iranian regional ambitions and ensuring a Western-oriented Turkey. Contemporary Iraq is torn by competing powerplays between – and within – Iran, Saudi Arabia and, to a far less extent, Turkey. Saudi Arabia fears the winds of change blowing from Tunisia to Oman; Iran is playing a dominant role in the Arab world while its ally Syria is wracked by an escalating internal popular rebellion against single party rule. Turkish attempts to contain the chaos in Iraq, subdue Kurdish aspirations for self-determination and, at the same time, maintain balanced relations with Saudi Arabia and Iran is taxing Turkey's foreign policy to the limits. Whilst Turkey may have gained international acclaim for pursuing a 'zero problems with the neighbours policy', a laudable goal of nurturing positive ties with the neighbours, it now looks increasingly unattainable at least in the short-term as Iran favours Shi'ite activism and Saudi Arabia asserts Sunni interests in Iraq, Bahrain and across the Middle East.

As a state directly neighbouring Iraq, Turkey had an interest in a stable Iraq and rejected the formation of an independent Kurdish state, primarily because

it has a sizeable Kurdish minority and feared that Kurdish independence would lead to internal unrest and destabilization along its own border. Thus, Turkey was forced to reconsider emerging power and political relations in order to protect its interests. Gradually, Turkey assumed a greater role and became more directly involved in Iraq with the aim of protecting its strategic interests and impacting future developments.

In this context, Turkey encouraged efforts towards Iraqi national reconciliation during which it brought together Sunni Arab Party representatives and the US Ambassador in Istanbul in December 2005. This was a turning point in Sunni Arab participation in the political process. Recently, Turkey played a central role in mediating with Sunni members of the Iraqi parliament for the purpose of supporting the Status of Forces Agreement with the United States in 2008. Turkey hosted training programs related to democratisation and good governance for Iraq's political parties from all ethnic and sectarian backgrounds which have been attended by more than 500 Iraqi politicians, and the Turkish Ministry of Foreign Affairs Academy offers training programmes to Iraqi officials. All political parties participated in a conference on Iraq's constitution in July 2006 in Istanbul hosted in cooperation with the United Nations Assistance Mission in Iraq, and Turkey initiated the Neighbouring Countries Process, to bring together Iraq with its neighbours for Ministerial consultations. This initiative evolved into the Enlarged Ministerial of Neighbouring Countries Meetings, now comprising the neighbours of Iraq, P-5 and G-8 Countries, as well as the UN, OIC, Arab League and the European Commission.

Iraqi Shi'ite leaders have had ambivalent attitudes toward Turkey's increasing involvement in Iraq for a number of reasons. First, the Turkish military has made frequent incursions into northern Iraq in pursuit of the PKK; second, Turkey is a pre-dominantly Sunni Muslim country; and third, they remember Turkey's trade and business relations with Saddam Hussein's regime. However, mutual economic interests and emerging geo-political realities of a post-American

withdrawal have pushed both sides to cooperate and compromise. As Iraq's most stable neighbour, Turkey has been seen as a vital partner to build and stabilise the Iraqi economy and infrastructure – particularly in the energy and construction sectors; a window for exports and imports; and a source of much-needed international legitimacy for the Iraqi government. The improvement in relations has been reflected in bilateral visits, in July 2008 when Turkish Prime Minister Recep Tayyip Erdogan visited Iraq, during which Iraqi Prime Minister Nouri al-Maliki agreed to boost economic relations, and in October 2010 when al-Maliki visited Turkey seeking assistance in his bid to form a government following the Iraqi general elections.

## **ENERGY, ECONOMIC AND TRADE RELATIONS**

Energy, economic and trade relations have generated increasing interdependence between Turkey and Iraq in recent years. Turkey hopes that gradually stabilising Iraq will generate further demand for goods, services and materials, which in return will create considerable business opportunities for Turkish companies. Excluding the oil sector, Turkey is the largest commercial investor in Iraq. Turkish companies generally provide manufactured goods, furniture, handicrafts, special-purpose products and associated consumables, and Turkey's Trade Ministry estimates that the trade volume between Turkey and Iraq exceeded \$6 billion in 2010, up from only \$940 million in 2003, boosting Iraq's position from Turkey's tenth largest trade partner to the fifth largest. Turkey is second only to China among the countries that have companies doing business in Iraq, with 117 companies working on energy, agriculture and industrial projects.

In an effort to sustain such economic ties, on 19 October 2010 the Iraqi government created a committee to increase business and economic relations with Turkey with estimates for bilateral commercial exchange reaching \$12bn by the end of 2011. This is a more than a three-fold increase

on previous agreements. The commitment on both sides for enhancing commercial and trade relations was evident in January 2011 when Turkey declared that it would be pleased to see inclusion of Iraq in a planned free trade zone alongside Turkey, Syria, Jordan and Lebanon.

The booming construction and contracting market in Iraq, with a potential volume of \$100 billion, accounts for the lion's share of Turkey-Iraq trade volumes. A report by Turkey's Undersecretariat of Foreign Trade published in 2010 noted that the rapid growth of construction and contracting sectors, which focus on infrastructure investments in water supply projects, waste water treatment plants, electricity power plants, hospitals, school and housing construction, highways, airlines, bridges and port construction. Turkish companies contracted 39 projects in 2007, with a volume of \$545 million. In 2008, the number of projects rose up to 72, with a volume of \$1.43 billion.

Energy is also a key feature in the bilateral relations. Iraq has had three rounds of oil and gas auctions since the US-led invasion in 2003. In the third round of auctions in 2010, the state-owned Turkish Petroleum Corporation was among the foreign companies with which Iraq signed deals to develop its natural gas fields. Iraqi gas is particularly important for Turkey, since it is expected to contribute supplies to the Nabucco gas pipeline, a project designed to carry Middle Eastern and Central Asian gas to European consumers via Turkey. Moreover, Iraqi natural gas could be connected to the Turkish national network through a pipeline to be constructed parallel to the Kirkuk-Ceyhan oil pipeline. Within this framework, a Memorandum of Understanding was signed between Turkey and Iraq on 7 August 2007 in Ankara in order to supply Iraqi natural gas to Turkey and via Turkey to Europe.

Although attacks by insurgents inside Iraq have repeatedly interrupted the flow of oil between Turkey and Iraq, the rate is currently around 450,000 to 500,000 barrels per day. Ceyhan, on Turkey's

Mediterranean coast of Turkey, is the terminus for a pipeline that transports crude oil from fields around Kirkuk in northern Iraq, which accounts for about a third of Iraq's total crude exports. Iraq will be able to export crude oil for another 12 years through Ceyhan after both countries agreed to renew their accord in September 19, 2010.

In the other direction, Turkey provides 275 mw/h of electricity to Iraq and plans to increase this to 1200 mw/h, one-quarter of Iraq's electricity requirement. Furthermore, the Electricity Ministry of Iraq has awarded contracts worth more than \$900 million to three Turkish companies for the installation of 20 gas turbines in Baghdad, Kerbala and Nineveh, which will boost Iraq's own power-generating capacity by 2,500 megawatts. As part of the agreement, Calik Enerji, a Turkey-based company, would build a plant and install 10 turbines in Kerbala province in southern Iraq valued at \$445.5 million. In addition, Turkish construction firm Enka Insaat has won a \$267.5 million deal to build a power plant and install six turbines in Nineveh province in northern Iraq, and Eastern Lights, another Turkey-based firm, will install four turbines in an existing plant in Baghdad under a contract worth \$204.8 million.

Turkey's policy of expanding trade and commercial relations with Iraq is part of a larger strategy to become an energy transit hub between east and west. Iraq's natural resources might play an important role in the proposed Nabucco pipeline supplying Europe via Turkey. Moreover, construction and other related projects are providing excellent source of employment in Turkey's southeast region which has long been economically underdeveloped.

### **TURKEY AND THE KURDISTAN REGIONAL GOVERNMENT (KRG)**

Despite booming economic ties, bilateral engagement has been constrained by Turkey's rejection of rising Kurdish autonomy and the presence of PKK bases in northern Iraq. In 2006 and 2007 Turkey threatened to

limit economic and trade relations if the Iraqi central government did not take all necessary actions to root out PKK located at the border region. In 2007, Turkey took further steps and announced that Turkish officials were drafting plans to implement a food and energy embargo against Iraq when more than 40 Turks were killed in a month. In a highly controversial move, Turkey conducted an eight-day military incursion into northern Iraq targeting PKK strongholds in February 2008. Although the US did express some reservations concerning the operation, it provided Turkey with actionable real-time intelligence. The Iraqi central government responded pragmatically, understanding Turkey's need for action while condemning the military incursion simultaneously. This was one of the numerous incursions that Turkey has conducted into northern Iraq since 1990s. Although Turkey takes Iraqi relations very seriously, it is prepared to take unilateral security measures against the PKK in Iraq.

Until recently, Turkey did not recognise the KRG as an exclusively Kurdish entity and has usually preferred to work through the central government in Baghdad. This situation changed significantly when the Turkish National Security Council made an official decision to conduct direct discussions with all the political groups in Iraq. This has been possible due to a number of interrelated factors. Under the Status of Forces Agreement the planned withdrawal of US troops by the end of 2011 weakened the KRG's position in relation to Turkey, as the US was its main supporter. At the same time, significant economic interdependence and trade interests between the KRG and Turkey have emerged, pushing the KRG to increasingly cooperate with Turkey to contain the PKK as Turkey continues to seek internal stability and unity in Iraq between Kurds, Arab Sunnis and Arab Shiites.

Thus, Turkey seems to be more flexible in practice than it presents publicly in dealing with the Kurdish autonomous region. At the same time, since the US is aiming to withdraw its military forces by the end of 2011, the Kurds are also seeking to strengthen themselves against possible clashes with the Iraqi central government, utilising the extensive diplomatic

outreach that a strong relationship with Turkey can bring.

Turkey dominates the economy of the KRG region, where an estimated 80 percent of goods sold are imported from Turkey. Fifty-five percent of the foreign companies registered in the KRG region are Turkish. According to a press statement issued by the regional government in April 2010, Turkey and KRG discussed opening the airway between Sulaimaniya, Erbil and Turkey to improve travel for citizens, companies and businesspeople which may further strengthen economic and business ties.

Private Turkish companies have already made huge investments in the KRG region, especially in the oil fields of Tak Tak, Khor Mor and Chemchamal. The efforts of companies like Genel Energy of Turkey, Dana gas of Norway, and Nabucco's chief operating company OMV make it highly pertinent to develop a direct connection to Turkey from the KRG region.

The close trade and commercial ties with Turkey are critical to realising the KRG's economic potential and to ensuring the long-term stability of the KRG economy. Meanwhile, Turkey understands that it needs the full cooperation of local Kurdish authorities in northern Iraq if it wants to eliminate PKK.

## **FUTURE ENERGY AND WATER SECURITY CHALLENGES**

Turkey has fundamental flaws regarding energy efficiency, savings, external dependency and intensity. Equally worrisome is the fact that Turkey is far behind Western countries in terms of benefiting from renewable energy sources to counter balance its dependence on carbon fuels. Rapid urbanisation and industrialisation is driving rising energy consumption and external dependency.

What international analysts and commentators often fail to observe and critically neglect is that Turkey is neither an oil nor a natural gas producer. Turkey plans to meet its rising energy need in several ways

but hydro-power seems more appealing to Turkish authorities because it is clean and cheap. Again, contrary to the general perception, Turkey is neither a country rich in fresh water resources nor the richest country in the region. Turkey's exploitation of the waters of Euphrates and Tigris rivers has long been controversial. Since 1984 Turkey has been building a series of dams and hydropower plants in southeast Turkey, as part of an ambitious scheme known South-East Anatolia Project or GAP. Iraq regularly complains that the scheme is depriving the Iraqi population of much-needed water.

In Iraq, consecutive years of drought, war and lack of adequate governance has hindered overall development of the water sector. It faces the threat of desertification at an average rate of 0.5 percent a year. The flow of Euphrates in Iraq declined from the long-term average of 27 billion cubic metres (BCM) to 9 BCM in 2009. Desertification is expected to affect Turkey too. For example, in the Konya basin, about 80 percent of the depletion has occurred over the last decade, and the basin faces complete desertification by 2030. There is serious disagreement about the actual amount of flow of the rivers across national boundaries, with Iraq asking for 65 percent of the water potential of the Euphrates and 92 percent of the Tigris while Turkey plans to use about 52 percent of Euphrates and 14.1 percent of the Tigris.

## **CONCLUSION**

Economic and strategic interests are facilitating political cooperation between Turkey and Iraq, but energy and water security are the main obstacles to enduring good relations. Few commentators believe that water alone can become the cause of war between Turkey and Iraq; nevertheless its destabilising effect is apparent. Turkey's mounting energy demand, coupled with the devastating effect of climate change and drought, may put burgeoning Turkish-Iraqi relations under intense pressure if robust and adequate mechanisms guaranteeing clean and sustainable water resources are not in place. ■