

# Resources Administration Process: Economic, Political and Legal Influences of KRG Natural Resources Policy

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## ABSTRACT

The public policy formulation process is known to have a significant role in making issues or solving them regardless of their makers. In particular, policy making for a subject like managing natural resources has different impacts on the country. Recent studies have investigated either the negative or the positive sides of the KRG managing and marketing natural resources. In this article, all the related aspects of KRG natural resources policy such as policy formulation, level of KRG policy, causes and outcomes of the KRG oil policy is going to be discussed. In this qualitative study, content analysis approach is applied for obtaining secondary data to explain all the aspects of KRG Natural Resources Policy. For this purpose, the findings, and results of almost 42 recent studies and books focusing on KRG Natural Resources policy are perused and discussed. Finally, this article concludes that KRG Natural Resources Policy is a completely important means which contributes to all the aspects of the Kurdistan Region and the Middle East energy and economy politics. Accordingly, the study calls for future research on how KRG can manage this sector with the existence of the Iraqi Federal High Court's refusal decision.

**KEYWORDS:** Public Policy, Government Policy, KRG Natural Resources Policy, Resource Management, Kurdistan Region of Iraq (KRI).

## 1. INTRODUCTION:

Natural resources are considered vital for economic growth and development, in which in many developed and developing countries, development is linked to having natural resources. The developed countries like Russia, USA and Norway have used this sector as the supportive one to their economy. Making any progress in this sector can raise the possibility of growth in the economy of the country (Kadirgolam, 2020). However, vice versa is also true. For this, countries make thorough investigations to formulate a suitable and effective policy to deal with the natural resources subject. In this regard, Head (2019) argues that attention should be paid to the formulation or elaboration to reduce the possibility of failure to the lowest percentage. Therefore,

for designing each policy, comprehending all the sides and directions of the new policy is highly recommended to achieve the objectives of that policy (Capano & Howlett, 2021).

Carefully formulated public policy, grounded in honest and accurate information and data, relieves society of many sufferings and frustrations that accompanies failed or poorly formulated public policy implementation (Hupe & Hill, 2021). However, the energy policy differs from a country to another one and region to another. The Middle East contains a huge number of natural resources administrated by complex policy in different countries. Particularly, Iraq has a very controversial system through which politician observers expect military clashes between the KRG and the Iraqi federal government (Pillar, 2018). In addition, managing natural resources in Kurdistan Region of Iraq has started officially in 2007 although working in this field belongs to 1994 when the KRG started drilling in Shiwashok farms (Maghdid & Din, 2019).

The KRG enforcement of the natural resources policy has had negative and positive impacts. Recent investigations have explored either the negative or the positive sides of the KRG administration and marketing natural resources. The study aims to make theoretical

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and practical contributions to the field of public policy and KRG natural resources policy. The study conceptualizes the process of public policy formulation and KRG natural resources policy and its economic, political, and legal influences. This article focuses on the energy sector, illustrating the formulation process of KRG natural resources policy and its impacts. This paper also calls for future research on how KRG can manage this sector with the existence of the Iraqi Federal High Court's refusal decision.

Finally, in this article, all the related aspects of KRG natural resources policy such as policy formulation, level of KRG policy as well causes and outcomes of the KRG oil and Gas policy is going to be discussed. Accordingly, the main goal of this article is to explain the formulation process of the KRG natural resources policy and its negative and positive influences as well. To achieve this objective, 42 up-to-date studies and books focusing on KRG administration of natural resources and causes and outcomes of the implementation of this policy are perused and discussed.

For achieving the essential goal of this study which is to investigate the formulation process of the KRG natural resources policy and its influences, this study is structured into six sections. Firstly, apart from the introduction section, the literature review that reviews the public policy-making processes as well as levels of public policies is the second section. While the third and four sections are dedicated to discussing the KRG oil and gas policy formulation and implementation, and the impacts of the enforcement of this policy accordingly. Further, the fifth section is allocated to the findings (positive and negative outcomes) of the KRG Natural Resources implementation. Finally, the study makes a conclusion of the objectives of this investigation as well as suggesting future lines for research.

### Research Questions:

This study has a fundamental question that is going to be utilized as the guidance and the basement of the research which is: how KRG Natural Resources Policy is implemented and what are its impacts? According to the mentioned problems, the bellow questions should be thoroughly discussed:

1. What is the KRG Natural Resources Policy?
2. What are the impacts of the KRG Natural Resources Policy implementation?

### Research Objectives:

In general, the study looks forward to exploring the implementation of the KRG Natural Resources Policy is its impacts. For this, the study keep track of examining the followings:

1. To explain the KRG Natural Resources Policy.
2. To specify the impacts of the KRG Natural.

## 2. METHODOLOGY

For this study, content analysis is used. It is one of the widely used qualitative research approaches to analyze the content and its features. The content may differ from simple pictures, text, words to social networks information, journals, books, and internet sources. The main purpose of this technique is to offer qualitative content in the shape of objective data. In this technique qualitative information is systematically analyzed (Lindgren, Lundman & Graneheim, 2020). Content analysis differs from other approaches, as it does not directly collect data from people. This approach is the study of information, which is already mentioned in books, journals, social media, unrecorded texts, or any other virtual or physical forms (Lindgren *et al.*, 2020). Therefore, for this study content analysis is utilized by which 42 related studies, books and even KRG Media releases are analyzed to conceptualize the concepts of making and makers of public policy.

Therefore, qualitative Approach was used to analyze qualitative data collected from both primary and secondary sources. For collecting data of each dimension of the KRG oil policy implementation, the data was obtained from various sources. Regarding the economic consequences, the primary data was obtained from the KRG Media releases, especially from Ministry of Natural Resources (as responsible of the numbers related to oil and gas sector in the KRI) and the KRG Ministry of Planning (as presents regional development strategy for Kurdistan Region) as showed in the figure 1 in section five. On the other hand, secondary data was acquired from scholarly works (books, articles, and theses) written on the specific issues to make the analysis more critical. Accordingly, for the political and legal dimensions, a comparison between previous works is illustrated as Pros and Cons of the KRG oil policy in tables (1 and 2) in section five.

## 3. REVIEW OF LITERATURE

The process of designing public policies is not described by naivety and clearness of features, but rather it goes through extremely ambiguous, mingled, and twisted processes. Within its formulation, several internal and external parties contribute to the processes. Each of them has a particular value, principles and interests that are not either totally or partially compatible with the others. Public policy formulation is also varied and diverse according to the different considerations and entities engaged in its formation. In addition, this process may involve a perceptible and

negotiable option of common objectives, and thus, take authoritarian decisions which restricts all after obtaining the status of public policy (Bristow, 2019). This is despite the difficulty of corresponding with the interests and goals of the different parties that are effective and influenced by this or that public policy. Therefore, this pattern interprets public policy formulation processes.

The process of drawing public policies cannot be understood unless each of the elements of the previous figure is taken into consideration. Each of element (each side) of the public issue helps in defining who is drawing the public policy, how to draw it, the appropriate time for that, and the results of the interaction of stakeholders or those responsible for drawing public policies (Capano, G., & Howlett, M., 2021). To know the public policy-making process, it is necessary to know the steps that this process goes through, which are:

1. **Identifying the Issue:** Knowing and identifying public issues and problems resulting from the unanswered and satiated demands and desires of citizens (Ferretti, F., & van Lente, H., 2022).
2. **Determining alternatives:** Deciding on different options to the public policies, after collecting information and facts, and consulting the concerned parties or those with a real interest in the problem under study. This is followed by forming committees at the level of the legislative body (parliament), or the executive body (Government entities) to investigate information, and hear the opinions of experts, specialists, technicians, administrators, and judges (Darmayanti, 2019). It is one of the possible alternatives to achieve the general objectives set for it, and to meet the needs and desires of the public within the limits of the available resources.
3. **Choosing the appropriate policy:** At this stage, discussion of each proposed public policy alternative takes place. This step might be in the form of programs or projects for public services, or drafts for the regulations and laws that are intended to be issued to address a particular issue, or to exploit an opportunity or avoid a specific threat (Bristow, 2019). The proposed alternatives to public policies are subject to discussion within the governmental institutions in accordance with the constitutions of countries, accepted principles, or rules. Moreover, these alternatives are also investigated upon the discussions that take place about them in public conferences (or those of political parties and interest groups), electoral campaigns, and mass media (Hupe, P., & Hill, M., 2021).

The discussion or interaction that takes place between the beneficiary parties and those concerned with drawing up public policies can take one of the following forms or patterns:

#### **Bargaining:**

Bargaining is a negotiation process between parties who have the power to agree on a solution that may partially benefit their goals. It involves the exchange of benefits based on the rule of taking and giving. That is each individual or group of individuals finds that the aspired benefits exist under the control of another individual or group (Kraft, M. E., & Furlong, S. R., 2019). Both parties believe that the benefits they seek are under the control of the other party and cannot be obtained without providing something in return or promising to provide it in the future. For bargaining to occur, both parties must desire something that the other party possesses, such as a job seeker and an employer in need of a skilled accountant. The condition of bargaining is the presence of desire among the bargainers, and the presence of something in every bargainer that the other bargainer desires (Capano, G., & Howlett, M., 2021).

Obviously, the two bargaining parties may not have the same strength or the level of need for the subject of the bargaining. This leads to making more concessions by the weaker party and thus can be called unequal or unbalanced bargaining. Meanwhile, for balanced bargaining, it is in which the two parties to the competition are equal, in terms of power or the level of urgency of feeling the need for the thing under bargaining (Hupe, P., & Hill, M., 2021). Bargaining can also be vague or implicit in nature, especially when agreements between bargaining parties are made based on future promises.

Sometimes, the negotiations might be given to the public when each of the bargainers clearly defines his demands and conditions in writing to avoid confusion and misunderstanding of implicit and unwritten bargains (Bristow, 2019). All in all, in all kinds of bargaining, balanced and unbalanced, overt, and implicit, the bargainer must know his abilities and capabilities, and the abilities and capabilities of others. Further, they must know what the other bargainer desires, and the appropriate circumstances and situations, in terms of the place and time in which he can obtain the largest possible number of benefits with the least number of sacrifices. Knowing that this information often is difficult to obtain, and that what is available from it may lack accuracy.

#### **Competition:**

Competition is defined as an activity practiced by two or more parties with the aim of achieving the same goal. Competition takes place when there are two persons (or

parties) or more and to their desire or satisfaction of their need depends on obtaining something characterized by relative scarcity (Grindle, 2021). Further, the acquisition of any of these desires prevents the other from obtaining it partially or completely. Among the conditions that must be met in the competition are the presence of two or more parties (two parties, two states, two interest groups), and the presence of a specific goal (economic resources, votes of voters, a seat in parliament, etc.), which is characterized by relative scarcity, i.e., insufficient availability of it to meet the needs of all competitors.

Finally, each of the competing parties has the desire to acquire it alone and prevent others from obtaining it. Accordingly, the competitors intend to achieve their goal without providing the slightest benefit to the other. The negotiators, on the contrary, try to encourage each other to accept a situation or circumstance that may benefit everyone (Ferretti, F., & van Lente, H., 2022). However, there are certain situations that compel the competitors to resort to bargaining when their existence together is in danger. For example, the formation of coalition governments or the opposition's acceptance of some of the gains offered by the government.

#### **Conflict:**

Conflict is a state of interaction that occurs between two parties, one of whom wins what he aspires to, and the other party fails in that (Ferretti, F., & van Lente, H., 2022). However, the loser bears the cost of his opponent's victory. The conflict grows from a competing situation. That is the competition becomes conflict when a party tries to remove another one from the situation, or carrying costs he cannot bear.

On the other hand, the conflict can be peaceful when it does not turn into bringing harm to the other party and ends at the point of threat and intimidation. The conflict may take the form of bargaining and the achievement of some benefits for both parties. It may be violent, causing damage to one or both of the conflicting parties, and ending with the victory of one of them in return for the loss of the other, or the destruction of his reputation or his economic or social position, or stripping him of the ability to compete (Jordan, K. N., Sterling, J., Pennebaker, J. W., & Boyd, R. L., 2021).

The results of the conflict may lead to hatred, fanaticism, and resentment on the part of the losing party. Accordingly, it awaits opportunities or favorable situations for victory for itself in the future. Therefore, the conflict, despite its benefits, remains an undesirable and harmful state. Further, the conflict can be conducted publicly when the parties are known, such as the conflict between states, or the conflict between opposition parties, ruling parties, and others (Jordan *et al.*, 2021). Meanwhile, it may be implicit, which is not easy to

notice by those who are outside the arena of conflict, such as the struggle of some political blocs or groups within a single party, or within parliament, or others.

#### **Command:**

The Command (order) is defined as issuing orders and instructions from the highest to the lowest in a single organization. It is through the chain of communication and command, from the superiors to the subordinates. The purpose of commands is to guide the subordinates and urge them to support their positions and adopt their programs using the system of motivation (reward and punishment) for supporters and opponents (Hupe, P., & Hill, M., 2021). This method of political decision-making is more common and used in authoritarian or individualist regimes as well as in military systems.

#### **Conviction And Cooperation:**

Persuasion (conviction) is for one of the parties to persuade the other party and obtain his support on his positions or presentation on an issue or demand after being convinced of the soundness of the opinion or the issue presented to him (Dawson, W. D., Bangerter, L. R., & Splaine, M., 2020). That is, one of the parties makes another one convinced of its point of view or its position. This belongs to certain facts or information that were not available, or interests that could be achieved which were not clear to the other party. All of this may occur to find a kind of cooperation between the parties.

Cooperation, then, comes as a result of the parties' comprehension of each other's issues and their agreement to achieve common goals, and without any of them trying to achieve their personal interests and goals at the expense of the other. Any society cannot deny the existence of cooperation between groups or political parties to achieve ambitions and goals they all strive to achieve them (Darmayanti, 2019). Sometimes, states and political parties cooperate to support good, peaceful, and mutual benefits, or benefits of entities outside themselves. Meanwhile, some cooperation can be noticed that have negative and harmful results on others, such as wars.

#### **Levels Of Public Policies:**

Generally, not all the parties concerned with drawing up public policies contribute to designing all public policies on the diversity of their subjects and levels. Some of them capture the interest of all those concerned with their various categories and segments, specialists, or ordinary citizens. Meanwhile, some others refer only to interest "Limited" compared to the first type. In the literature, three public policy levels were put forward:

### **The General Level: (Macro Politics):**

These are the demands, issues or problems that concern public opinion, or multiple segments and categories of it, such as political parties, low-income employees and workers, problems of low wages and high prices of goods and services (Dawson *et al.*, 2020). For instance, the issue of the American invasion in Vietnam (for the American people), the issue of Turkey's membership in the European Union (for the Turkish people) the "Kashmir" issue for the peoples of India and Pakistan, the issue of the Palestinian uprising and the Zionist occupation of Palestine for the Arab and Islamic peoples, and many others. The issue may begin on a limited scale for one social or political group, or a group of citizens and then develop to a general issue because of the sympathy of large groups of citizens to it.

The general or macro issues attract the attention and participation of political parties, leaders of interest, pressure groups, and the media. Further, the circle of interest expands to include those concerned with drawing up and implementing public policies. Therefore, these beneficiary groups and individuals analyze and discuss it to make it clearer and easier and speed up for reaching the development of appropriate solutions to them. What distinguishes macro public policies from other policies is the intervention of presidents of state (the leadership of the executive authority) (Bristow, 2019). This is because they express the public interest. Moreover, the issues raised by the presidents or kings usually have special precedence over other issues that are raised for discussion. Such policies are directed to public policies, determining their contents.

### **The Small-Scale Politics (Micro Politics):**

Small-scale policies are those that are made in response to an issue or a demand of one individual, an entity, or a specific region. That is, it refers to the actions and decisions made by individuals or small groups within an organization or community that can have a significant impact on the overall functioning and culture of that organization or community (Müller, M., & König, P. D., 2021). These actions and decisions may not necessarily be part of the formal, official structure of the organization or community, but can still shape its dynamics and outcomes. Such policies are exempting a company from paying tax and reducing it, or like establishing a project to house the employees of one of the institutions or meeting the demand of a city to pave its own road (Dawson *et al.*, 2020). Therefore, according to the Iraqi Kurdistan Regional Government perspective, the managing natural resources is in the Micro Politics level.

Obviously, many decisions of this kind are made for the benefit of a specific party or some of people with

personal influence from the beneficiaries. Moreover, sometimes such decisions are made by a public official in the government's administrative apparatus, or a member of parliament. An example of micro politics in government and parliaments could be the process of building coalitions and alliances among different political parties or groups within a government or parliament. This may involve negotiating and compromising on specific policy issues or positions to gain support for a particular agenda or initiative (Swift, A., Marshall, G., Burgoyne, C., & Routh, D., 2018).

### **Local Politics:**

Local politics refers to the political activities, decisions, and administration that take place within a specific geographic area, such as a city, town, or county. It means the policies that deal with issues and problems that pertain to the governorates, local regions, or states in the federal government (Dawson *et al.*, 2020). This can include issues such as land use, zoning, taxes, public services, and infrastructure. Local politics is often managed by elected officials, such as mayors, city council members, or county supervisors, and is shaped by the needs and desires of the local community (Mozaffarian, D., Angell, S. Y., Lang, T., & Rivera, J. A., 2018).

Furthermore, this level involves the issues, as it is clear, that concern citizens in one governorate or group of governorates (a region). Local politics has not to do with the citizens in other governorates (or regions) because they are not affected by them (Pelizzo, 2020). Because issues of this kind do not attract the interest of most citizens who are outside the sphere of influence. Therefore, meeting demands and solving problems of regional governments are often entrusted to regional governments, which have their own independence and powers in collecting and analyzing information, determining priorities, and formulating the necessary public policies associated with each of them in light of their limited powers and responsibilities, in coordination with the competent central government agencies (Mazzucato, 2018). Accordingly, the KRG argues that the administration of natural resources is the regional governments' specialty.

## **3. DISCUSSIONS ON THE KRG NATURAL RESOURCES POLICY: FROM FORMULATION TO IMPLEMENTATION**

The KRI's natural resources include oil and gas. Since the Iraqi government and KRG have focused on oil and neglected gas industry, the concentration of this work is going to be on oil rather than gas. Iraq (with Kurdistan Region) is among the most oil-rich countries, number five in oil reserves in the world (Ebrahimi & Ghasabani,

2015). According to OPEC Annual Statistical Bulletin (2017), Iraqi oil reserves have been considered as the fifth-largest proven oil reserves in the world, with an estimation of more than 140 billion barrels. Iraq's economy has been dominated by natural resources. In Iraq, oil constitutes more than %94 of exports which has negatively affected countries economic development (OPEC, 2018). Due to lack of real reform, oil domination on Iraq's economy and not planned-well budget Iraq suffers from corruption, poverty, unemployment, and political conflicts, although Iraq has got a very huge revenue after 2004 (Khalil, 2019). This is the same case of Kurdistan Region as the region has a constitutional status in the new Iraq.

After the fall of the Ba'ath regime in Iraq, a new constitution was put in place in 2005. This constitution recognized the Kurdistan Region as a federal entity with significant administrative powers. The Kurdistan Regional Government (KRG) argues that, according to certain articles of the constitution, it has the right to sign contracts (Ministry of Natural Resources, 2013). However, tensions between the KRG and the Iraqi government have not been fully resolved. Recently, two key issues have emerged: the control of natural resources and the dispute over certain territories. The KRG believes it has the constitutional right to negotiate contracts regarding natural resources. This has led Kurdish politicians, particularly those associated with the KDP and PUK, to focus on this issue, including the exporting of oil. This is driven by historical tensions between Kurds and the Iraqi government and a desire for greater economic independence and access to international markets as a step towards full independence.

The KRG claims that the regional governments have the right of signing natural resources contracts but with the acceptance of the Iraqi government, according to the recent Iraqi constitution (Salih, 2022). Development and administration of the natural resources of Kurdistan Region is the Ministry of Natural Resources (MNR) responsibility according to Kurdistan Region's Oil and Gas Law (Law No. 22 of 2007), which entered into force on August 9, 2007 (Presidency of Kurdistan Region-Iraq, 2007). The KRG Ministry of Natural Resources claims that they have the right of administrating the natural resources according to the Iraqi constitution in accordance with the articles 111, 112, 115 and 121 (Ministry of Natural Resources, 2013). Nevertheless, the articles 112, 115 and 121 of the Iraqi constitution are elastic. That is, these articles give the right to both Iraqi government and KRG to have the intention of controlling the dossier. All in all, the KRG has argued that the oil policy is regarded as Local Level Politics. The Iraqi Federal Government, on the other hand, insists on their right of controlling all the oil contracts as the oil

industry has the General Level (Macro Politics) formulation or at least it is in the Micro Politics Level, as explained in the previous section.

After the KRGs were reunited, the Kurds began focusing on the issue of oil. From 2006 to 2018, the KRG signed over 60 agreements with various oil and gas companies, both domestic and international, such as BP, Gazprom, ExxonMobil, Genel Energy, Dana Gas, DNO, Total, Chevron, Gulf Keystone Petroleum, Western Zagros Resources, and Aspect Energy (Zebari, 2020). This means that before formulating the KRI Oil and Gas Law (Law No. 22 of 2007), the KRG had the tendency to implement the oil policy. At the beginning, the KRG declared that the Regional Government signs only exploring and drilling contracts, not exporting. By 2013, KRG's plans went beyond just signing contracts for drilling, they also began exporting oil independently. The KRG has exceeded the limitations and started to export oil unilaterally as the government finished building a pipeline that ran from the TaqTaq and Khurmala oilfields to the Kirkuk-Ceyhan pipeline at the Turkey-Iraq border (Salih, 2022).

In implementing the KRG oil policy, the Regional Government has used two methods to sell oil: one for the local market and the other for international markets. For the local market, the KRG tried to convince the public opinion that the KRG oil policy is to serve the local people. Thus, the crude oil was lifted to main refineries and then sold at auctions (Ministry of Natural Resources, 2013). However, the main issue was in the international oil trade. Before 2010, the KRG exported oil through tankers via Iran and Turkey, but the Iraqi government did not pay much attention to this trade because the KRG could not export large amounts of oil (Maghdid & Din, 2019). In 2013, the KRG completed a 970-kilometer pipeline that connects the TaqTaq, Khurmala, and Duhok oilfields to the FeshKhabur border on the Turkey-Iraq border, where it is connected to the Kirkuk-Ceyhan pipeline (Nuri, Z. M. & Karakir, I. A., 2022). From this point, the negative and positive outcomes of implementing the KRG oil policy started to boom.

#### 4. ANALYSIS OF THE IMPACTS AND OUTCOMES OF THE IMPLEMENTATION OF THE KRG NATURAL RESOURCES POLICY

The KRG oil production has been critical due to conflict over production and marketing it, as the federal government since 2005 has objections concerning management of oil sector by the KRG. That is to say that Kurdistan Region has taken the position of semi-independent in the management of oil production and marketing it. Giving constitutional importance, Baghdad and the KRI remain at odds over the regions' oil reserves

and the rights of the KRI to export crude oil independently from Baghdad's Ministry of Oil (MoO) and the Iraqi Oil Marketing Organization (SOMO) (Bälz, 2022). Therefore, the KRG continues signing new contracts and works in natural resources sector without having an agreement with the Iraqi government on the issue until now. The Federal, in return, has had economic, political, and legal reactions against the KRI. Despite the historical struggles between the Iraqi governments and the Kurds, most of present economic, political as well as legal questions in the KRI belongs to the implementation of the KRG natural resources policy after the collapse of Baath's regime (Aziz & Cottey, 2021).

In 2013, the Kurdistan Regional Government (KRG) finished building a pipeline that ran from the TaqTaq and Khurmala oilfields through Duhok and ultimately connected to the Kirkuk-Ceyhan pipeline at the Turkey-Iraq border (Morelli, Massimo, & Costantino Pischedda, 2014). Despite potential conflicts with the Kurdish minority in Turkey, the country allowed KRG to construct the pipeline within its borders because they needed new and affordable sources of energy. Additionally, Turkey saw the potential for economic gain through exporting and investing in Kurdistan's natural resources sector (Abbassi, Salehi, & Salehi, 2022). However, the Iraqi government insisted that the pipeline should be controlled by the federal government in Baghdad and deemed it illegal when KRG refused to hand over administration. This led to an official complaint against Turkey and KRG by the Iraqi government, as well as a cut in budget shares sent to the Kurdistan Region (Nuri & Karakir, 2022).

In the end of 2014, following the USA mediation, negotiations between the two governments were restarted from the beginning. The Iraqi government agreed to send the Kurdistan Region's 17% budget share, and in return, the KRG was supposed to give the Iraqi Oil Marketing Company (SOMO) 250,000 barrels of oil per day (Bälz, The Iraqi Federal Supreme Court on Ownership and Control of Oil in the Kurdistan Region: Decision in Cases No. 69/2012 and 110/2019 of 15 February 2022, 2022). However, by 2015, both sides were accusing each other of not following through on the agreement. The KRG failed to deliver the promised barrels of oil to the SOMO, and the Iraqi Government did not allocate the Kurdistan Region's budget share (Bälz, The Iraqi Federal Supreme Court on Ownership and Control of Oil in the Kurdistan Region: Decision in Cases No. 69/2012 and 110/2019 of 15 February 2022, 2022). This led to ongoing political conflicts between the Federal Government and KRG and a worsening situation in the Region up until 2018.

Over the past eight years, significant events have occurred in the KRI. The public sector was on the brink

of collapse due to protests, corruption and bribery as employees were not receiving pay for five months out of the year. Masu'd Barzan, former KRI President, announced plans to run a referendum in 2014 on succession, citing issues with the Iraqi constitution and Prime Minister Nouri Al-Maliki's hostility towards the Kurdistan Region (Rasheed, 2019). The Iraqi, Turkish and Iranian governments pressured the Region to cancel or postpone the referendum, but Kurdish officials went ahead with it on September 25, 2017. In 2018, the International Monetary Fund required the Iraqi government to provide the Regional Government with a budget share of 317 million USDs to guarantee employee salaries (Sumer & Joseph, 2018). Despite this temporary relief, the KRG's legal, economic, and political crises remain unresolved.

## 5. FINDINGS

Despite the disadvantage, exporting oil has had several political, economic, and legal advantages for the Kurdistan Regional of Iraq (Nuri & Karakir, 2022). Firstly, this sector has provided international recognition to the KRG as well as de facto independence. Moreover, it provides a significant source of revenue for the government, which can help to diversify the economy of the KRG, as well as providing more job opportunities. Furthermore, exporting oil can also help to increase the global profile of the KRG, leading to increased investment, trade opportunities and political international relations (Mustafa, 2022). Overall, exporting oil can be a powerful tool for the Kurdistan Regional Government to promote economic growth and development in the region. The following sub-sections explore the details of the positive and negative impacts of the KRG implementation of the natural resources policy.

### 5.1 Political Outcomes:

There are several positive as well as negative political impacts of the KRG exporting oil achieved from previous works as showed in table 1:

TABLE 1  
Works on Political Outcomes of Pros and Cons of  
KRG Oil Policy

Pros	Cons
Alkış (2022)	Maghdid (2021)
Salih (2021)	Engin (2022)
Abbassi, Salehi, & Salehi (2022).	Ahmad (2018)
Kaynak, & Arıboğan (2023)	Maghdid & Din (2019)
	Kaynak, & Arıboğan (2023).

### Positive Impacts:

The KRG oil policy implementation has had the following political advantages for the KRI:

1. International Recognition: The KRG oil policy has led to the region's increasing international recognition and engagement, as countries and companies seek to invest in the region's oil industry (Alkış, 2022).
2. Political Stability: The KRG has been able to use oil revenues to maintain political stability and security in the region, reducing tensions and conflicts (Salih, 2022).
3. De Facto Independence: The KRG oil policy has given the region greater autonomy and independence from the central government in Baghdad, allowing it to make its own decisions and pursue its own interests (Alkış, 2022).
4. Strategic Position: The KRG oil policy has allowed the region to establish itself as a strategic player in the global oil market, with the potential to become a major oil producer and exporter (Abbassi, Salehi, & Salehi, 2022).
5. International Relations: due to the independent oil policy of the KRG, the leaders have had better relations with the European and some Arab countries such as Jordan, UAE, and Saudia Arabia (Kaynak, & Aribog̃an, 2023).

### Negative Impacts:

The KRG oil policy implementation has been a source of political issues for several reasons:

1. Dispute with the Federal Government of Iraq: The KRG has been exporting oil independently from the federal government of Iraq, which has led to tensions between the two entities over revenue sharing and control of oil resources. The central government claims that the KRG has not the authority to export oil, while the KRG argues that it has the right to control its own resources (Maghdid, 2021).
2. Tensions with Turkey: Some of the Opposition Parties of Turkey, such as CHP and MHP, have been opposing to the KRG's independent oil exports, as it fears that it could lead to Kurdish independence in Turkey (Engin, 2022).
3. Dispute with the Kurdistan Workers' Party (PKK): The KRG's oil policy has also been a source of tension with the PKK, a Kurdish separatist group in Turkey. The KRG oil pipelines have been exploded and the KRG accused the PKK, therefore, tensions between the two have started (Ahmad, 2018).
4. International sanctions: The KRG's independent oil exports have also been subject to international sanctions, as they are seen as a

violation of Iraq's sovereignty. The KRG's independent oil exports have also led to diplomatic difficulties with other countries. For instance, the UK and USA have opposed the process and retrieved their oil companies such as BP and EXON Mobile (Maghdid & Din, 2019).

5. Political instability: although the oil policy of the KRG has played a great role in uniting the two main parties, PUK and PDK, it has been a source of political instability as well, as different political parties and leaders have different views on how to manage and export the oil resources especially Change Movement Party and the two Islamic parties, Kurdistan Justice Group and Kurdistan Islamic Union (Ahmad, 2018).
6. Risk of Interventions: due to the richness of the oil wells of the Kurdistan Region, the existence of the KRG is under the risk of interventions. Particularly, the neighboring countries, especially Turkey as it does not hide its tendency of returning the Mosul State, ex-Ottoman State. Further, the main aim of the ISIS attacks on the Region belongs to the oil revenues (Hassan, Salih, & Shareef, 2022).

### 5.2 Economic Outcomes:

Implementation of the oil policy has had positive as well as negative effects on the economy of the Kurdistan Region.

#### Positive Impacts:

Exporting oil can have a significant impact on the economy of the KRI:

1. Economic Development: The Kurdistan Regional Government oil policy has led to significant economic development in the region, as oil revenues have been invested in infrastructure, industry, and social services (Kaynak & Aribog̃an, 2023).
2. Job Creation: The oil industry in Kurdistan has created jobs for locals, reducing unemployment rates and improving the overall economic situation (Muhamad, 2022).
3. International Economic Events Openness: after the KRG importing oil, the Kurdish leaders have been invited for the economic forums, meeting, and negotiations (Alkış, 2022). Davos Forum, World Economic Forums of Istanbul and Amman are examples of the KRG leader participation in such economic openness.
4. Investment: the oil industry encouraged the huge energy and natural resources companies such as Gazprom, ExxonMobil, Genel Energy, Dana Gas, DNO, Total, Chevron, Gulf Keystone Petroleum, Western Zagros Resources, and



Aspect Energy to bring their capital and invest in the KRI oil and gas farms (Zebari, 2020)

**Negative Impacts:**

Among the negative impacts on the KRI economy are:

1. Loss of revenue for the central government: The KRG's independent oil exports mean that the central government is losing revenue that it would otherwise receive from the sale of oil from the Kurdistan region. This has led to financial difficulties for the government in Baghdad and has contributed to the ongoing disputes between the two entities (Maghdid & Din, 2019).
2. Risk of economic sanctions: The KRG's independent oil exports may also put it at risk of economic sanctions by the central government and other countries. This could have a significant negative impact on the Kurdistan region's economy (Qadir, Mohammed, & Majeed, 2021).
3. Impact on the environment: The KRG's oil policy has also been criticized for its potential impact on the environment, as it could lead to increased pollution and deforestation in the region (Othman, 2020).
4. Increase of KRG Debts: the KRG Ministry of Planning declared that the KRG debts reached 29 billion US dollars by 2021 in which about 22 billion US dollars were employee salaries not paid by the KRG because of the ongoing series of crises in the Region (Ministry of Planning, 2021)

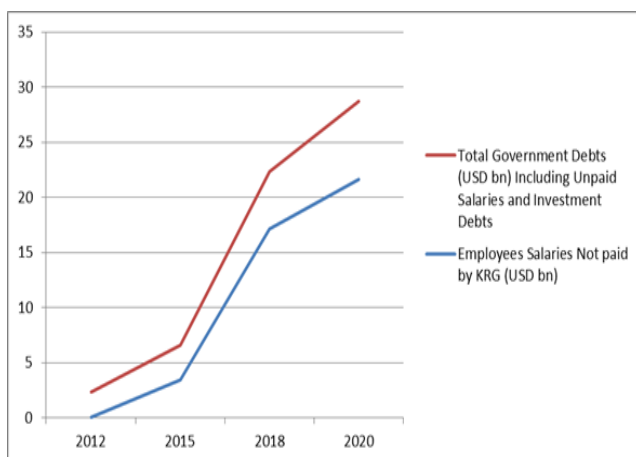


Fig. 1: KRG Debt from 2012 to 2021  
Source: (Ministry of Planning, 2021)

**5.3 Legal Outcomes:**

Like the political and economic impacts, there are also a number of positive and negative legal outcomes of the implementation of the KRG oil policy as mentioned in previous works and illustrated in table 2:

TABLE 2  
*Works on Legal Outcomes of Pros and Cons of KRG Oil Policy*

Pros	Cons
Kadirgolam (2020)	Ahmad P. R. (2021)
Mustafa (2022)	Bälz (2021)
Judicial Council of the KRI	Iraqi Federal Supreme Court
	Nuri, Z. M. & Karakir, I. A. (2022)

**Positive Impacts:**

1. International Recognition: as explained in the political impacts, the KRG oil exports can be seen as a sign of the region's increasing autonomy (Kadirgolam, 2020). That is, due to the huge amount of the oil reserves, many countries' ministers and presidents have visited the Region, such as the government members of France, Turkey, Hungary, the UK, USA, Russia, Iran, Jordan, Qatar, UAE, Germany, Italy, South Korea, and China.
2. Diplomatic Delegations: Due to the economic impact of the KRG exporting Oil, the KRG has been able to open her diplomatic delegations in more than 17 countries. This is regarded as a legal declaration of a de facto state (Mustafa, 2022).

**Negative Impacts:**

1. Sovereignty Issues: The KRG's decision of exporting oil without the consent of the Central Government of Baghdad raises questions of sovereignty and the right to control natural resources (Ahmad, 2018).
2. Revenue Sharing: The KRG's oil exports may also impact on revenue-sharing agreements with the central government, potentially leading to disputes over how proceeds from oil sales should be distributed. Therefore, Baghdad has got legal reason of cutting the KRI budget share (Mustafa, 2022).
3. Iraqi Federal Supreme Court Decisions: The KRG's oil exports have faced with legal

challenges from the central government or from other countries, which may seek to block the sales or claim ownership of the resources (Bälz, The Iraqi Federal Supreme Court on Ownership and Control of Oil in the Kurdistan Region: Decision in Cases No. 69/2012 and 110/2019 of 15 February 2022, 2022). Due to the decisions of the Iraqi Federal Supreme Court, the Iraqi Government has legal power to oblige the KRG and can have influence on the countries buying KRG oil.

4. Environmental impacts: The KRG's oil exports may also lead to environmental impacts that may be subject to legal actions (Nuri, Z. M. & Karakir, I. A., 2022).
5. Iraq's relations with neighbouring countries: The KRG's oil exports may also have an impact on Iraq's relations with neighbouring countries, particularly Turkey and Iran, which have large Kurdish populations of their own and may view the KRG's independence bid as a threat (Rasheed, 2019). Further, the Iraqi Government has accused Turkey of smuggling the Iraqi wealth and raised a complaint against Turkey in a French Court asking for 26 billion USD (Mustafa, 2022).
6. Losses of the lawsuit: Despite the Iraqi Federal Supreme Court decision of the illegality of the KRG oil policy, the Regional Government has lost several lawsuits like the one of Dana Gas (Bälz, The Iraqi Federal Supreme Court on Ownership and Control of Oil in the Kurdistan Region: Decision in Cases No. 69/2012 and 110/2019 of 15 February 2022, 2022).

## 6. CONCLUSION

The establishment of a public policy is not a simple process, but a complicated process of actors and institutions. The article discusses how specialists analyze public policy problems by looking at the outcomes, which can manifest as visible issues. The interactions between parties involved in public policy can take on different patterns, such as bargaining or conflict, and can occur on different levels of politics. The article suggests that disputes between the Federal Government and the KRG regarding oil policy belong to both public policy patterns and call for further investigation to encourage KRG policy makers to act on these issues.

Since each government policy has positive as well as negative impacts, the KRG natural policy has had both advantages and disadvantages to the Region. In terms of politics, the KRG was able to make good political relations with many European countries. Further, regarding economic dimension, the KRG became a de facto energy entity on the energy map. Finally, for the legal aspect the KRG exporting oil can be seen as a sign of the region's increasing autonomy, which could lead to greater international recognition for the KRG as a separate entity from Iraq. Therefore, further studies are required on each dimension of the KRG natural resources policy. Because of the constant changes in the nature, place, time, and other circumstances of the crisis it is difficult to give a specific definition to the concept, or define an appropriate reason to the crisis, or find negative/positive effects of the crisis. Furthermore, finding positive and negative outcomes of KRG implementation of oil and gas policy is very difficult for lack of transparency in this dossier. However, there are few studies related to crises emanated from implementation of KRG natural resources policy for the issue is new and getting information about the natural resources of Kurdistan Region is difficult. Accordingly, knowing the signals of crisis is more significant than dealing with the crisis because governments can be ready to prevent crises from happening when the signals appear. Therefore, organizations and governments should take actions to the early stages of crises. The mismanagement of natural resources by the KRG caused legal, political, and economic issues in the Kurdistan Region. Several factors contributed to the crisis, including misunderstanding of circumstances, misjudgment of information, clash of interests between Iraqi and Kurdistan governments, lack of experience in managing natural resources, desire for power exhibition by KRG authorities, lack of trust between KRG and Iraqi government, intentional crises to minimize greater crises, and wars and terroristic attacks. These crises negatively affected both public and private sectors of the Kurdistan Region. Finally, organizations should make more studies on the prodromes of issues to set mechanisms to prevent crises or at least to deal with the crises when they occur due to mis-evaluated policies. Furthermore, crisis management policy is a strategic process that should be focused on responding to the outcomes of crises. Oil and gas are means for economic growth and social welfare. Nonetheless, lack of strategic policy to manage this industry may cause dangerous results. As result, this study suggests future investigations on how to deal with the issues so that they may not become crises. Moreover, further

studies are expected on setting policies to prevent crises that have severe outcomes or at least mitigate the consequences of the crises when they occur.

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