

Beat: Politics

Oil Politics and the Future of Baghdad-Erbil Relations

Between Dispute and Dialogue

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USPA NEWS - Amid constitutional ambiguities, competing economic interests, and regional ambitions, the oil dispute between Baghdad and Erbil has reemerged—threatening not only Iraq's economic and political stability, but its national unity. What began as a disagreement over revenue-sharing has now evolved into a crucial test of the very idea of national partnership. In post-2003 Iraq, analysts increasingly question whether the fragile unity of a country riddled with internal divisions can truly endure.

Constitutional Roots of the Conflict

The 2005 Iraqi Constitution granted broad powers to regions, particularly under Article 112, which calls for joint management of existing oil and gas fields between the federal government and regional authorities. Article 115 goes even further, giving regional laws precedence in the event of overlapping jurisdictions.

However, differing interpretations of these articles have fueled years of constitutional tension—especially after the Kurdistan Regional Government (KRG) began signing independent contracts with international firms in 2007 and exporting oil through Turkey, bypassing Baghdad entirely.

In February 2022, Iraq's Federal Supreme Court ruled the Kurdish oil and gas law unconstitutional and nullified the KRG's contracts. In response, Turkey halted oil exports through the Ceyhan pipeline, dealing a severe economic blow to the Kurdish region—reportedly exceeding \$1 billion in monthly losses, according to the KRG's Ministry of Natural Resources.

The KRG rejected the ruling as politically motivated, arguing that the court itself was illegitimately constituted after 2005, and reaffirmed its constitutional right to manage its own natural resources.

Economic Shock

With over 85% of its public revenue dependent on oil, the KRG was thrown into crisis.

In response, Prime Minister Masrour Barzani launched an emergency strategy to shield the region from future shocks by diversifying its economy:

Signing two strategic agreements in Washington in May 2025 with HKN Energy Ltd and Western Zagros, both based in Texas, valued at over \$110 billion to develop both traditional and renewable energy sectors.

Revitalizing agriculture through modern irrigation systems, farmland rehabilitation, and financial support programs for farmers.

Investing in tourism, heritage, and technology—restoring more than 20 archaeological sites to attract both domestic and international visitors.

Introducing tax incentives and microloans to support startups and small businesses.

An economic advisor in Erbil summed it up succinctly:

"The oil crisis was a harsh wake-up call—but it forced us to imagine a self-reliant and sustainable economy, no longer shackled to pipelines."

Two Narratives, One Future

Baghdad insists that Iraq's natural resources must be centrally managed to ensure equitable distribution among provinces. Erbil, on the other hand, accuses the federal government of repeatedly failing to meet its budgetary obligations—even during times when oil revenues were centralized.

A federal spokesperson stated: "There cannot be multiple centers of oil authority. These resources belong to all Iraqis."

The KRG counters: "What Baghdad withholds from us in constitutional entitlements, we will recover through our own resources."

The impact of federal pressure is evident:

Growing hardship among Kurdish families as Baghdad continues to delay salary payments. The more severe this hardship becomes, the deeper and more damaging its effects on Baghdad-Erbil relations.

Inevitably, resentment could widen the gap between the two sides. Denying Kurdistan its rightful share of the national budget only deepens division. Decision-makers in Baghdad must heed this warning: fragmented nations do not withstand the test of time.

A Final Chance for Wisdom

It is not too late to choose reason.

Analysts argue that a lasting solution lies in renewed dialogue—centered on long-delayed legislation to regulate Iraq's oil and gas sector, a law that has been shelved since 2007.

In a political landscape shaped by internal pressures and regional threats, cooperation between Baghdad and Erbil is no longer a luxury—it is a necessity.

Yet, without political trust—and with partisan rivalries paralyzing even the formation of a new Kurdish government—there is a looming danger that an economic rift may escalate into a security crisis. External actors also stand to benefit from continued instability.

One truth has become painfully clear in recent years:

When oil becomes a weapon between supposed partners, it can be more destabilizing than arms.

Iraq's future—as a unified and stable nation—depends on its ability to transform this struggle over resources into a framework for equitable economic cooperation, rather than a battleground of conflicting agendas.

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Editorial program service of General News Agency:

United Press Association, Inc.

3651 Lindell Road, Suite D168

Las Vegas, NV 89103, USA

(702) 943.0321 Local

(702) 943.0233 Facsimile

info@unitedpressassociation.org

info@gna24.com

www.gna24.com