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Albania	1600	Czech Rep.	KC140	France	€4.90	Iceland	ISK600	Kuwait	Dinar2.50	Netherlands	€4.90	Qatar	Rial31	Spain	€4.90
Austria	€4.90	Cyprus	€2.85	Germany	€4.90	Ireland	€4.90	Latvia	LVL2.99	Nigeria	Naira450	Saudi Arabia	Rial132	Sweden	SEK48
Bahrain	Dinar3.00	Denmark	DKK63	Gibraltar	GBP3.10	Israel	NIS27.00	Lebanon	LEB.500	Norway	NOK45	Slovakia	SKK180	Switzerland	Sfr8.00
Belgium	€4.90	Estonia	EEK60	Greece	€4.90	Italy	€4.90	Luxembourg	€4.90	Poland	PLN18	Slovenia	SIT960	Turkey	YTL5.10
Bulgaria	BGN9.00	Finland	€4.90	Hungary	HUF80	Kenya	KenSh420	Malta	€1.20	Portugal cov.	€4.90	South Africa	R30.00	UAE	Dirhams10



Iraqi Kurdistan

Who is to control Kurdish oil, and protect it from sabotage?

ARBIT

The Kurds say they will; the central government in Baghdad begs to differ

IRAQ'S Kurds like to describe themselves as the orphans of history and geography. In the carve-up of the Ottoman empire after the first world war, they found themselves welded to a state in which they never felt at ease, stuck in the toughest of neighbourhoods. Nor has geology been the blessing that it might have been. Rather than benefit from the oil that swills under their northern homeland, Kurds argue that they have often been its victim.

Under Baathist rule, the Kurds were frozen out of jobs in the oil industry, while thousands of families were forcibly removed from their homes and land round the oil-rich city of Kirkuk. This lingering sense of injustice at the hands of the central government formed the backdrop to an extraordinary briefing last week about oil prospects in the region, given by Kurdish officials to a group of international energy executives in London.

Iraq is thought to have plenty of undiscovered oil but the insurgency and legal uncertainty have made companies wary of looking for it. Now, proudly waving a new petroleum law that is set to pass through the Kurdish regional parliament in Arbil in October, Ashti Hawrami, the Kurds' new minister for natural resources, told the gathering that the Kurdish Regional Government (KRG) had the authority to exploit any new oil and gas reserves discovered in the self-rule zone. It was the

Kurds' intention, he said, to manage jointly with the central government any existing energy resources in areas that either fall within the KRG's current boundaries, or will do so should the Kurds succeed in extending their proposed federal region in a referendum due at the end of 2007.

Although northern Iraq's oil reserves are not as big as the giant southern fields round Basra, Mr Hawrami said the area had "good potential", estimating reserves at around 45 billion barrels of oil and 100 trillion cubic feet of natural gas. He also held out the prospect of a second export pipeline from Kirkuk to the Turkish port of Ceyhan, which would run through Kurdish-controlled territory, thus giving it



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greater protection from sabotage attacks.

Mr Hawrami assured his audience that his plans were in keeping with Iraq's new federal constitution and would be legally enforceable. Until now, only small, independent explorers have set up in the Kurdistan region. The KRG has signed production-sharing contracts with a Norwegian oil company, DNO, which is already drilling for oil near Zakho, and with Turkey's PetOil and Genel Enerji, which is exploring near Taqtaq. Memoranda of understanding have been signed with other independents, and Mr Hawrami said that the KRG was set to sign further production-sharing contracts in October, and was also talking to several oil majors. Revenues would be shared according to the law, he said, stressing his co-operation with the central authorities.

Not so fast. No sooner had Mr Hawrami spoken, than his counterpart in Baghdad, the federal oil minister, Hussein Shahrastani, appeared to pull the rug from under his feet, telling the state-owned *al-Sabaah* newspaper: "The ministry isn't committed to oil investment contracts signed in the past...by officials of the government of the Kurdistan region."

Mr Shahrastani, who has the support of the ruling Shia alliance, insists that contracts signed without the approval of the central government should be nullified and that all the country's oil exploration, production and export contracts should be placed in the hands of his ministry in Baghdad. Any new energy contracts should wait until Iraq produces a new hydrocarbon law, possibly sometime in the new year. Oil officials in Baghdad have hinted at blacklisting companies that currently work in Kurdistan.

This tussle between Baghdad and the Kurds over control of Iraq's northern en-

- Energy resources is also alarming the country's Sunni Arab minority. Many Sunni leaders believe that the decentralisation of Iraq's oil, as envisaged in the constitution, is the latest example of a conspiracy to break Iraq into three parts: a Kurdish north and a Shia south, both of them rich in oil, and a revenue-starved Sunni centre.

This week their simmering concerns boiled over on the floor of parliament as members of the largest Sunni block, the Sunni Accordance Front, denounced some of their leaders as traitors for agreeing to a deal over a Shia-proposed bill to put flesh on the federalism enshrined in the constitution. The deal, which allowed the federalism bill to be read in parliament, also allows for a committee to consider amending the constitution.

Sunni politicians are banking on amendments that will dilute the constitution's federal provisions. They have all-but accepted the Kurds' autonomy—though not their attempts to develop their natural resources—but are vehemently opposed to the creation of a powerful Shiastan in the south. Yet any constitutional amendment must be approved in a referendum of all Iraqis. And it is unknown whether a sufficient majority of Shias and Kurds will say “yes” to a dilution of federalism. ■