

# The Human Capital of the Kurdish Region of Iraq. Kurdish Returnee(s) as a Possible Agent for a State-Building Process Solution

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*The Human Capital of the Kurdish Region of Iraq. Kurdish Returnee(s)  
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The region of Iraqi Kurdistan (KRI) has undergone to a great change in the economic and social aspects in the last 10 years, the reason and the determinants that brought this modifications has been slightly explored by past scholars. One of the new aspect that touched the region has been the increasing number of returnees, which started after a specific date, the 2013, year of the economic boom in the KRI. This article analyzes how in the region of Iraqi Kurdistan, the improvement of the economic sectors and number of returnees are interconnected, and how when these two data grow, the condition of quasi-state and independence (mainly economic) from the central government also increases. While, when these two data fall, the condition of quasi-state and the conflictual condition with Baghdad stabilized, transforming the situation into a prolonged conflict.

For this research four key factors have been analyzed in the period from 2013 till mid-2017: 1) number of returnees, 2) economic growth, 3) business in the energy sector and 4) quasi-state condition. The peculiarity of this article is that thanks to this specific analysis we can understand why and when the KRI reached an higher level of independence from the Iraqi state and why and how this dependence failed. In this article we can see how the condition of quasi-state stopped to improve not because of the September Referendum (which is not mentioned in the study because the time frame detected do not take it into consideration), but because the Kurdish Regional Government made a decisional mistake regarding its economic vision. The results helps us in obtaining a more detailed idea of how the Iraqi Kurds reality can change based on a triadic model: returnees, economic investments and quasi-state condition.

Keywords: Iraqi Kurdistan, returnees, economy, actors, quasi-state, human capital.



## Introduction

Previous scholars studied how diaspora communities, as the Kurdish one, can act as positive agents and can be practical solutions for stateless communities. The Kurdish diaspora has mobilised on large scale in the last 20 years, bringing international

attention to this specific case. Regarding the Kurdish region of Iraq, the diaspora itself has no power in changing the political, social and economic situation, but rather the returnees.

Understanding how they can affect the social, economic and political scene of the region is the key question of this study. Starting from 2013, an



economic boom in Iraq's autonomous Kurdistan Region (KRI) attracted many of the families who were part of the Iraqi Kurds diaspora. Many of them were high qualified people which received a very good education in the countries of provenience. They decided to return and to resettle, even covering lower ranking jobs, because their main goal was to contribute to Kurdistan's development. Others decided to leave the Western countries and to take up arms to protect their homeland (those people were the majority in 2014 when they decided to join the fight against ISIS) [Lucente, 2016].

In this article I study how this can be a positive factor for the economy of the region and for the path of the Kurdish state building projects. The returnees that are observed in this study are those who returned in Iraqi Kurdistan from the mid 2012.

### Methodology

The problem of the research is what can affect the quasi-state condition of the Kurdistan Region of Iraq and how.

The variables of the study are the following:

dependent variable = quasi-state condition

Independent variable (1) = number of returnees

Independent variable (2) = economic growth

In order to conduct the research, I decided to adopt mainly a method using secondary data as academic books and journals, as well as reputable sources gathered from internet websites and investigated quantitative data from statistical databases. The time frame studied goes from 2013 to mid-2017, taking into account the demographic incrementation given by the number of returnees, the economic growth and oil lootability. For studying and delineating the oil production and sales, data from International Energy Agency, the World Bank and Eurostat have been used. Data collected from the IOM (International Organization for Migration) have been retrieved for tracing the demographic incrementation of Iraqi Kurdistan number of returnees. GDT (Global Terrorism Database) was used for analyzing the political situation of stability and instability, that gave a better understanding of which areas of Iraq were better organized and defended. The quasi-state condition has been analyzed gathering the data collected from the above-mentioned databases, adding a qualitative research elaborated by the author which focused on understanding the changes in the relations between Baghdad central government and KRI. As primary resource, in-depth interview was conducted with Dr. Mahmud, which has been useful for qualitatively testing the proposed conceptual framework. The primary data obtained have been used to supplement and support the secondary data.

### Iraqi Kurdistan as a unique case

The Kurdish question is one case of searching for independence outside nation-state's borders. Divided into four countries: Turkey, Iraq, Iran and Syria, the Kurds have been able to develop a sense of belonging to their motherland.

The Kurdish case is a singular one all over the world, it can't be compared to other cases of searching for independence (as the Irish, Armenian and Kosovo), mainly for two reasons:

- The history of the region. Middle Eastern states were created at a table by foreign powers which decided basing on their economic interests.

- Richness in natural resources (oil and gas). Previous countries that fought and obtained independence, like Kosovo and Ireland, didn't have natural resources.

For these reasons it is difficult to compare this specific case with others.

Moreover, even between the four countries inhabited by Kurds, differences in social, political and economic conditions are present. These allowed one Kurdish region more than others to achieve a better status inside the state, the Kurdish Region of Iraq.

Since the creation of the Iraqi state, the Kurds have represented a major ethnic problem for the unity of the country and years of wars between the parties have followed. Things for the KRI started to change when the KRI was recognized as a legal region of a federal Iraqi state by the permanent constitution, adopted in the October 2005 referendum. The provisions of the constitution served to legitimize, on an international level, Kurdistan's *de facto* autonomy and self-rule [Chorev, 2007, p. 5]. From 2012 to 2016 the state-stability has been worsening bringing Baghdad's government to a complete failure. In this specific period of time the Kurdistan Regional Government, has been able to administer its area effectively and improved under the economic and political aspect its region. Thanks to this, the KRI economic sphere grew and it started to be considered as a gateway for business [Gunter, 2004]. Moreover, Iraqi Kurdistan moved quickly to use every constitutional tools it had to establish as much autonomy as possible for self-managing different institutions and economic sectors [Gunter, 2004].

Iraqi Kurds tried to increase in this period of time their autonomy and they started to make important business contracts and investments with foreign companies in the oil industry and in other economic sectors (as contracts with Turkish construction companies). By December 2012, almost the entire area controlled by the KRG was licensed, excluding some mountainous areas. In May 2013, Turkish Prime Minister Erdoğan announced that Turkey would conclude oil export arrangements with the

KRG separately from Baghdad [Al-Ansary, 2014]. From December 2013 onwards, the KRG began to export and sell oil directly through its new pipeline to Turkey, without reference to Baghdad. But from about November 2013 Baghdad responded to potential use of the pipeline by initiating legal action against the shippers and buyers of Kurdish oil [World Bank, 2016].

KRG's economy expanded every year, and its real economic growth rate was about 8 percent in 2013 [Kurdistan Development Corporation, 2018], driven primarily by oil production. Market sources estimated KRG oil production at 250,000 barrels a day in 2013.

As mentioned above, not only oil economic sector was in growth, but also the real estate/construction sphere was improving. Several Turkish companies invested in the region for building luxury hotels and big shopping malls, promoting the capital of the region Erbil as possible new Dubai. This enticed the young diaspora to move back to the KRI and to attempt in building their new life and career there.

### Who is coming back?

The breakdown developed by the KRI with the central Iraqi government proofed that this region was much more stable and reliable regarding business matters; this was one of the main reasons why many people decided to return [Hammond, 1999, p. 230; King, 2000].

Interview data collected by Fandrich (2016) suggest that return migration from Europe to Iraqi Kurdistan started becoming significant during the mid-2000s. KRG keeps no statistics, but by 2013, European Union member states had suggested and tried to organize the return of over 95,000 Iraqis to Iraq (including Iraqi nationals other than Kurds), and roughly a third had complied or had been deported [Fandrich, 2013, p.16]. An official from the organisation, IOM (International Organization for Migration) confirmed that most of those who returned through its assisted return programs are Iraqi Kurds and that 21,507 individuals returned 'voluntarily' from Europe to Iraq during the period 2003–2012 [Paasche, 2016, p. 1080].

Well educated people were the most important resource for the KRI in the middle of 2012. They brought a real richness to the region, but they also faced several difficulties (as any new comer) in integrating inside the system of the society (Black and Castaldo 2009; King, 2000; Murphy, 1999). Dr. Jowan Mahmud ( Ph.D. in Social Sciences, Goldsmiths University of London, and author of: „Kurdish Diaspora Online: From Imagined Community to Managing Communities”) was one of them. In an interview that I've conducted, she told me that she decided to return after that she

had left Kurdistan (Iraq) in 1981. Her father's high-level political work, followed by the persecution by the Baath Party under Saddam Hussein, led her family to seek refuge in Sweden.

When I've asked her the reason of her decision to come back to Kurdistan she said that before she completed her Ph.D., she decided to return to her birth place, to work and spend some time there as the region underwent a significant transformation. Many diaspora Kurds from Europe, the US and elsewhere had been repatriating to the Kurdish region for the past years for various reasons, but particularly because the KRI was safer and was undergoing an economic boom. She added: „This was of course a really exciting time for Kurdistan and Kurds, a historic moment if you like”.

Regarding the reality and the situation of KRI in these years she explained that when she arrived in June 2013, the situation was good from both a socially and politically point of view. Factors that evidenced the progressive economic and social development were for instance, construction and housing complexes, new (international) universities, consulates opened, telecommunication and connectivity improved, new restaurant, shops, and other facilities. „Kurdistan went from a big village to, what people liked to call it, the other Iraq' or a ,new Dubai.' Whatever one wants to call it, it was going through an extensive makeover. The security in the region was also significantly improved, which was key to the economic boom.”

In some hosting countries (like Germany), organizations collaborated with the Kurdish Regional Government, for promoting the repatriation to the Kurds that were still living there. They had a very organized program which was helping their return starting from the voyage from the hosting country till KRI; plus, a series of activities and a coordinator once arrived for helping the individual or the family in settling smoothly [IOM Germany, Project Report 2015-2017]. This flow continued till the end of 2014 / beginning 2015, till the moment ISIS expanded its territory and threat.

Why do returnees increase the probability of state-building process?

They play a fundamental role in changing the reality of the KRI. Figure 1 shows the link between number of returnees, economic growth and quasi-state condition, and which are the steps for having this final result.

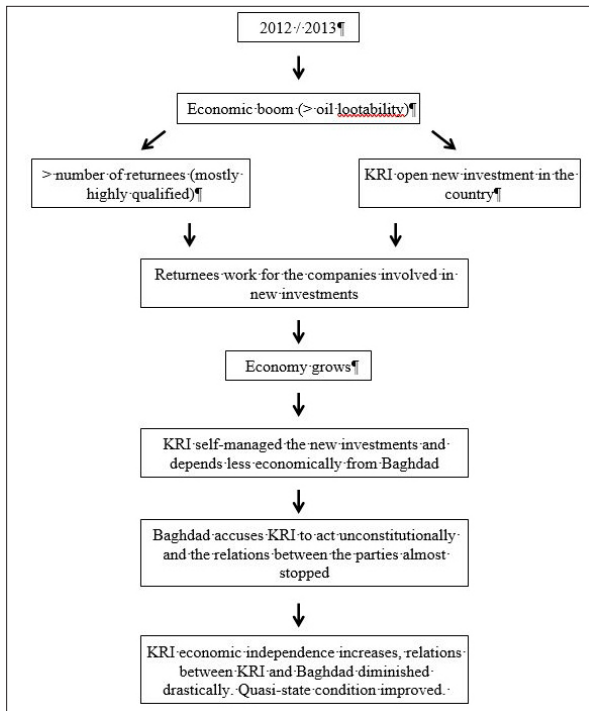


Figure 1: Why returnees increase the probability of state-building process? - PAGE 8

The key period is 2012/2013, when the economic boom started, signed by the conclusions of several important business investments at various level and in different economic sectors, but mainly linked with the increasing capacity in oil lootability.

This brought to have a large number of high qualified returnees, which were requested to work for the companies that signed the new investments in the region.

Thanks to this new flow of business activities accompanied by efficient and capable workers, the economy of the KRI grew. The Kurdish region was dependent from the government of Baghdad mainly (if not only) in the economic administration of oil revenues and public workers payments. The fact of self-improving the economic sphere allowed the KRI to take distances from the Iraqi central government that accused the KRG to act unconstitutionally. This caused the fracture between the two parties that increased mostly when the KRG began to administer its own oil market independently. Oil companies continued to sign contract with the KRG without concerning about Iraqi accusations toward the KRG (2013/2014).

This allowed the flourished Kurdish region in improving its independency from the Baghdad's government. What is really constraining the Kurds to the government of Baghdad is money. The more KRI has an independent and self-managed source of

income, especially from the natural resource but only from them, the more it allows to establish a more define autonomy and independence from Baghdad.

The fact that they understood this was really happening, allowed the Kurds to develop different business agreements in various economic sectors with foreign states without passing through Baghdad and to completely manage the revenues by themselves and within themselves.

Once Baghdad realized that the accuse of acting unconstitutionally didn't preoccupy the KRG, the Iraqi government stopped to send the monthly payment to the public workers of KRI institutions. At the beginning this didn't worry KRG too much, because having an income from different sectors gave the safety to have the possibility of managing the payments by themselves.

Just once they decided to focus only on a mono-economy, the energy sphere, things failed, this has been their great mistake, to do not keep other economic sectors alive at the same time.

The link between number of returnees and quasi-state condition is not direct, but the starting point is exactly given by the fact that Kurds abroad decide to come back. This is the trigger point which allowed the succession of the events: the increasing number of returnees brought to improve the economy of the region in various sectors and allowed the KRI to achieve and ameliorate they quasi-state condition due of the less economic dependence from Baghdad. Without the first determinants this result couldn't appeared.

### Results

The Iraqi Kurdish diaspora played a big role in the state-building process once people decided to go back to their homeland. They brought mind and educational richness to the region, which mixed together with economic growth gave an effective and efficient push to the process towards a quasi-state solution allowing the KRI to depend lower and lower from the central government.

Table 1 shows when diaspora and economic change can build a solid path towards a possible state-building project.

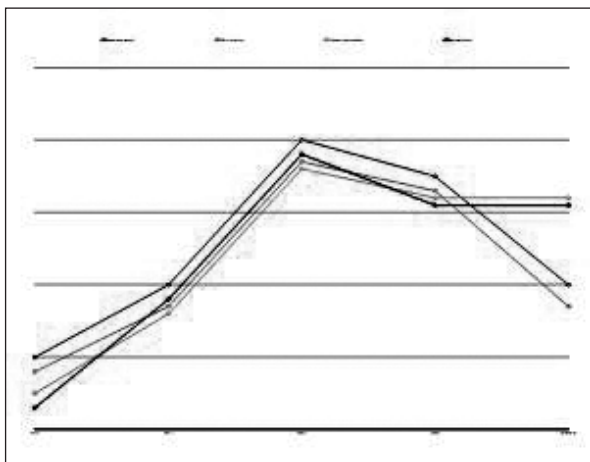
DIASPORA	EFFECT ON STATE-BUILDING PROCESS
Outside the Kurdish Region	No effects
Inside Kurdish Region (from diaspora to returnees) during no economic growth	No effects + possibility of increasing social differences

Inside Kurdish Region (from diaspora to returnees) during economic growth	Positive effects - improving the 'quasi-state' condition
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Table 1: effects of diaspora on the state-building process - PAGE 11

As we saw in the previous paragraphs, the diaspora can be an agent for state-building process solution, just in Iraqi-Kurdistan, if it respects the following conditions:

- the flow of returnees is accompanied by economic growth;
- the same returnees bring an economic improvement



inside the region by keeping commercial connections established in the hosting countries.

Figure 2 shows the trend of four actors: economic growth, number of returnees, energy sector and quasi-state condition:

Figure 2: Chart for the trend of four factors (economic growth, number of returnees, quasi-state condition & conflict intensity) during 2013 and 2017 - PAGE 11 (Sources: IOM - International Organization for Migration <http://iraqdtm.iom.int/ReturneeML.aspx> & <http://iraqdtm.iom.int/DTMReturnDashboards.aspx>, Kurdistan Development Corporation [https://web.archive.org/web/20071012180933/http://kurdistancorporation.com/Oil\\_and\\_gas.htm](https://web.archive.org/web/20071012180933/http://kurdistancorporation.com/Oil_and_gas.htm), Eurostat <https://ec.europa.eu/eurostat/web/energy/data/database>, World Bank <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?contextual=min&end=2017&locations=ZQ-IQ&start=2012>, International Energy Agency [https://www.iea.org/publications/freepublications/publication/WEO\\_2012\\_Iraq\\_Energy\\_OutlookFINAL.pdf](https://www.iea.org/publications/freepublications/publication/WEO_2012_Iraq_Energy_OutlookFINAL.pdf) & <https://www.iea.org/countries/Iraq/>, GDT (Global Terrorism Database): <https://www.start.umd.edu/gtd/search/Results.aspx?search=iraq&sa.x=0&sa.y=0&sa=Search>)

In 2013 the KRI was officially an autonomous region with working institutions and a growing economy and this brought to have a high number of returnees. The main thing which bind the KRI and the Iraqi government is the economic dependence, so having a growing self-managed income allowed the KRI to detach from Baghdad. From 2013 to 2015 the economic growth and returnees increased and with them increased the quasi-state condition.

In 2016 there was an economic collapse given by two reasons: a) KRG opted for a mono-economic sector focusing on the energy sector and neglecting the others, plus b) the oil price fell drastically. Because of this, in the same year, a huge percentage of returnees, left without job opportunities, abandoned the KRI.

The quasi-state condition, after the initial inflection of 2016, managed to stabilize and not to retreat thanks to the investments already present in gas and oil sectors. But this mono-economy is not sufficient for achieving the complete economic independence from Baghdad.

Only the economic development diversified and encouraged among different sectors can create job opportunities and stimulate returnees. These terms are the necessary preconditions for improving from the current condition of quasi-state.

## Conclusions

The Kurdish case has always been a very intricate one, with various differences not only between the states where the Kurds were and are living in, but also between the Kurdish population itself.

What is important to notice is how in the state of Iraq, the Kurdish region has always been able to achieve something regarding the geopolitical point of view, and it was able to ameliorate its conditions and move them towards its goal of autonomy.

Once achieved the status of autonomous region, KRI tried to improve its institutions and international relations. This reached its peak in 2014-2015, with the Kurdish trying to increment each possible economic sector in the Kurdish region (agriculture, construction, natural resources), and incrementing the number of returnees.

Its capacity of not focusing only on oil lootability gave rise to a flourishing region, with great possibilities from the point of view of international investment and social growth. The years starting from the end of 2013 till mid-2015 signed an historical moment for the KRI, which started to be mined once ISIS appeared and the Kurdish Regional Government decided to focus entirely on investments in oil and gas. To focus only on one economic sector brought the Kurdish Region to lose all the investment in the various economic spheres and this also brought highly qualified returnees to leave



the country. Others, that decided to stay, lost much of the income earned in those two years (2012-2014).

Now that the KRI is in a stalemate, its politicians should think that if the real goal is to reach independence or at least to improve its autonomy from the central government, they have to find a way to unlock the situation.

What is more reasonable is that the KRG finds a solution for understanding how to bring back its citizens. It should study and improve all the sectors that can be interesting for all the Iraqi Kurds abroad, KRG needs to understand how to ameliorate and prepare programs devoted to entice his fellow citizens to repatriate.

Despite the common opinion among experts that if one day the Kurds would have their nation, this would be thanks to their underground richness (oil and gas), I say exactly the opposite, if they will focus only or mainly on this, they will not improve their condition. I do believe that one of the keys for acquiring more and more autonomy has to be found in its human capital, in the capacities of its people. The Kurdish Region of Iraq has a great fortune to have two kinds of human resources: internal, who knows the reality of the region, and external, the people that were forced to leave their homeland, but now nourish a strong nationalist feeling and have acquired a very high education in the hosting countries. They have a rich cultural background that can be exploited to improve the internal conditions and the international relations of the Kurdish region (due to the fact that many of them are bilingual and know how to relate with foreigners).

Oil is not the key for a state, once again we have to look back to humanity.

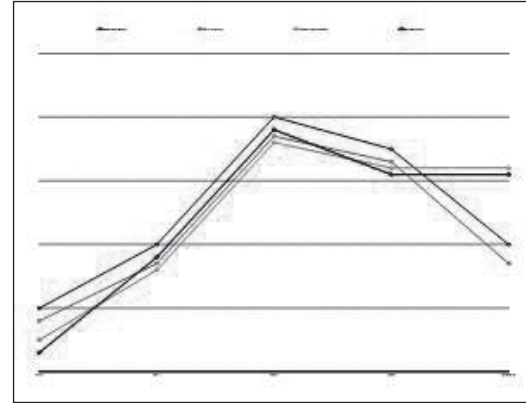


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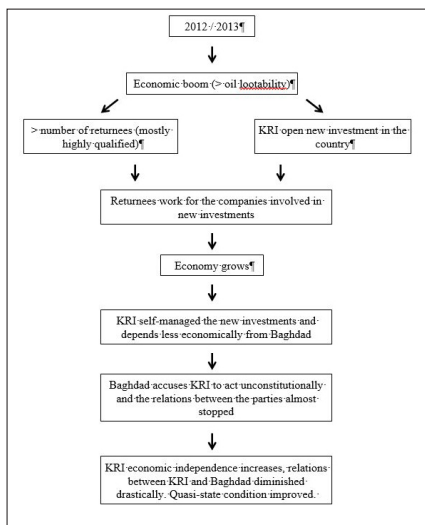


Figure 1: Why returnees increase the probability of state-building process? - PAGE 8

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Table 1: effects of diaspora on the state-building process - PAGE 11

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